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ABSTRACT

A comprehensive review was undertaken of the serious problem of youth unemployment in the countries of the Organisation for Economic Cooperation and Development (OECD) (most of the countries of Europe and the United States), and the means for dealing with it in the longer term. The study found that youth unemployment has been a major concern since the mid-1970s, rising with each downturn of the economy, and failing to recover with economic recovery. Today, unemployment for disadvantaged youth has increased, but so has unemployment among better-educated and better-trained young people, especially for those born in the late 1950s and early 1960s. Labor force participation rates for youth have dropped in nearly all the countries, especially among teenagers. Young women have experienced similar rates of unemployment as young men; however, causes are subtle and often relate to the types of jobs for which girls are trained. Nations should adapt policies to help youths find employment. One solution is economic growth, but even an annual growth of 4 percent will not solve the youth umemployment problem for about five years. Consequently, shorter-term policies, such as school or travel grants or government-sponsored jobs, are needed to help youth. Especially at risk are disabled youth, whose unemployment problem is even worse than that of the disadvantaged. Additionally, sex-fair educational practices should be started to help young women prepare for careers. Youth unemployment is a very serious problem that cannot be ignored by the countries of the OECD. The appendices consist of an article by L. C. Hunter (The Role of Labour Demand in Youth Employment and Unemployment) and an OECD committee report. (KC)

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- to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;
- to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development; and
- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

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The Socialist Federal Republic of Yugoslavia takes part in certain work of the OECD (agreement of 28th October, 1961).

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This volume presents a comprehensive review of the serious problem of youth unemployment in the OECD area and means for dealing with it in the longer term.

It contains a report by the Secretariat, which has been revised in the light of discussion in the Manpower and Social Affairs Committee, together with an Annex prepared by Professor L. C. Hunter of the University of Glasgow, acting as a Consultant, and conclusions on medium-term youth policies discussed and agreed to by the Committee and noted by the OECD Council in April 1984. The report examines a broad range of factors affecting the labour market situation of youth while the annex analyses the role of labour demand in greater depth.

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Chapter 1

SUMMARY AND CONCLUSIONS

Youth unemployment has now been a special concern for many years in OECD countries. From low levels in the early 1970s, it began ratcheting up with each economic downturn, never fully falling to previous levels.

The Early Diagnosis

Through the early 1970s, joblessness mostly affected those young people who, for a variety of reasons, lacked certain requisite skills or behaviour needed for finding and holding a job. They were early school leavers, economically disadvantaged, minority and migrant youth, and others who were educationally disadvantaged -- and on the fringe of society. Marked differentials in the experience of males and females were also apparent in some countries.

With the onset of the 1974/75 recession the situation for these disadvantaged young people became more severe, and other, less disadvantaged, groups started to suffer from the general slowdown of demand and economic activity. Demographic factors aggravated the rise in cyclical unemployment. The "baby boom" children born in the late 1950s and early 1960s could not have come of working age at a worse time. While their numbers in the labour market were increasing, job opportunities could not keep up -- barely growing in some countries and actually declining in others.

In order to depict these trends and to shed light on the quantitative importance and longer-term consequences of the emerging problem of large-scale youth unemployment the OECD Secretariat prepared a detailed analysis (1) of the youth unemployment situation in Member countries for the OECD High Level Conference on Youth Unemployment which took place in December 1977. Subsequently, the OECD Council adopted a programme of work on youth unemployment, to be carried out under the auspices of the Manpower and Social Affairs Committee. A second diagnosis was prepared in 1979 (2), investigating the causes and consequences of youth unemployment. In addition, a number of comprehensive reviews of country policies in favour of young people and studies of particular facets of youth unemployment have been prepared under the OECD Youth Unemployment Programme (3).

Between the first and second diagnosis the youth unemployment problem had deteriorated and changed in character. By late 1979 there were high levels of hard-core unemployment concentrated on early school leavers and

other youths who lacked education and job skills. There was also evidence that as these young people were moving into their early 20s, their labour market experience, contrary to earlier times, was not improving relative to teenagers, but getting worse. This apparently was due to demographic factors and the fact that most special measures were concentrated on teenagers. There was also a new phenomenon of large-scale and rapidly increasing unemployment among youths who had what were presumed to be the requisite education credentials and technical skills for employment. More distinct patterns of labour market experience for young women were also emerging, patterns that were consistent with the distinct disadvantages of adult women in the labour market.

In short, at the end of the 1970s, youth unemployment was changing in two important ways. The labour market experience of older youths was deteriorating instead of improving. Youth unemployment was also becoming much more than a problem for young people on the edge of society. It was starting to affect large numbers of "middle class" youths, young people who had been entering the labour market, finding jobs, and beginning careers without too much difficulty. Much of this new unemployment was a sign of the times. Stagnant economic growth in some Member countries had led to a serious deterioration in the functioning of the labour market from which young people suffered most. Relative to adults, young persons in most of the major OECD countries, therefore, had higher unemployment rates than they usually had in the past. But much was also attributable to less transitory demographic and structural forces. What Member countries faced at the beginning of the 1980s was in some sense a mirror image of the general unemployment problem: a chronic structural problem facing "high risk" youth entering the labour market with severe disadvantages, and a cyclical/demographic problem.

For those concerned with youth unemployment, there was room for some optimism at the end of the 1970s, until the second oil shock choked off near-term prospects for strong economic growth. After 1980, more than half of the OECD countries have experienced some decline in real gross national product. Of the seven major Members, only Japan avoided negative growth. The consequences were predictable. Employment declined and unemployment rates rose in the OECD area.

The Diagnosis Today

In 1983 and 1984, an economic recovery began to take hold in the OECD area. But except for the United States, countries are not experiencing much, if any, improvement in employment prospects. There is virtually no hope of reducing appreciably the large number of unemployed young people in the total OECD area. This in itself represents a startling deterioration in the nature of the youth unemployment situation. Moreover, there is now more reason to be concerned about the long-term consequences of the current situation, and greater uncertainty about what constitutes constructive solutions in the medium and long term that are both technically workable and politically feasible. There is, too, another problem that, though it is not new, is gaining greater visibility: unemployment and underemployment among handicapped youth. The scarce data that are available indicate that handicapped youth suffer as much joblessness as the most disadvantaged high-risk youth.

In the time that we have been focusing on the youth unemployment crisis it has changed in its nature in four important respects:

-- Unemployment for disadvantaged youth has increased and spells of unemployment have become longer for them;

-- Unemployment among better educated and better trained youth, though still lower than among less well educated young people, nevertheless has increased. By virtue of the greater options facing these young people, what would otherwise be long spells of unemployment may be cut short by return to school or training. But the fact remains that even these youths are encountering a great deal of difficulty in finding secure jobs and making the transition to work and adulthood. Most of their difficulty continues to stem from too many persons seeking too few jobs. But, there is also reason to believe that they may be victims of widespread structural mismatches;

-- Labour force participation rates for youth have dropped in nearly all the countries. The decline has been most pronounced among teenagers. At the same time education enrolment has risen;

-- In the short term youth unemployment is developing into a situation that may be best viewed (and treated) as two separate problems: one affecting teenagers and one affecting young adults. A pattern previously noted in some countries has persisted: as youths move into their early 20s, their employment experience is not improving -- contrary to past experience. This is particularly true for disadvantaged youth, but holds for all groups. In the long term, this raises the spectre in many OECD countries of a "high-risk generation", a cohort of young people born between the late 1950s and mid-1960s. Because of demographic pressures, some in this cohort face a prolonged period of transition into the labour market that could transform today's youth unemployment problem into tomorrow's adult unemployment problem.

The change in the unemployment situation for young females has not, on the whole, been disproportionate relative to the deterioration in unemployment for all youth or the deterioration for the disadvantaged. But that does nothing to alter the underlying pattern apparent in more and more OECD countries of girls and young women faring worse than boys and young men in the labour market. Nonetheless, what goes on outside the labour market in schools and training institutions may have even greater impact on the long-term employment and earnings prospects for females. The lower earnings of adult females and their concentration in low paying jobs seems related not so much to earlier labour market experience per se but to the nature of their preparation for work as girls and young women.

The present youth unemployment situation has inevitable consequences for policies:

i) First, it seems likely that the youth unemployment problem that originally attracted the attention of OECD countries, that of the disadvantaged, has worsened and will not go away. The plight of the relatively small proportion of the youth population that is considered to be disadvantaged must not be overshadowed by the

magnitude of more widespread unemployment among less disadvantaged youths. High-risk youths will continue to require intensive assistance in developing basic academic and technical competence, and they are likely to require special recurring interventions well into adulthood;

ii) There is an immediate concern over what to do about the millions of unemployed youths who, though qualified for work, will undoubtedly find it difficult, if not impossible, to get stable jobs in the next few years. Until times improve enough for them to find jobs, there will be a large population of young people caught in a hiatus between school and work and increasingly alienated from the benefits of an adulthood to which they feel they are entitled;

iii) There is a long-term concern about whether today's large-scale youth unemployment masks (or is caused by) a larger, structural mismatch due to the mainstream education and training institutions failing to prepare young people adequately for life and work in the late 20th century. The main source of uncertainty here is the effect of rapid structural changes caused by technology and displacement of certain industries by foreign trade. These changes are probably permanent, and will affect the occupational structure of the labour market and the nature of new jobs and, in turn, affect the kind of educational and technical preparation required for these jobs;

iv) If the phenomenon of today's youth unemployment is indeed that of an "at-risk generation" defined not in terms of age, but of a cohort of young persons born between the late 1950s and mid-1960s, there may be a need to formulate options based on the dynamics of the problem. Most immediately, there is a greater need now to break the youth unemployment problem into two parts: one concerning teenagers, and the other young adults. Their problems are different in certain respects, their willingness and availability to participate in various programmes and the institutional bases for policy options are also different. In the longer term, policies tailored to favour an age group -- young people -- could backfire as these young people (high-risk youths especially) grow older and find themselves at a competitive disadvantage at the hand of policies (such as a youth sub-minimum wage) that were intended to help them. Also in the longer term there is a need not just for "youth policies", but for continuous or recurrent interventions to help today's youth -- disadvantaged youth in particular -- well into adulthood;

v) The situation facing girls and young women is subtle and complex. It can not be evaluated strictly in terms of labour market measures of employment and unemployment, because data are not available in all countries for capturing critical male-female differences in occupational segregation, career path development, and earnings and wage differences. Moreover, significant male-female differences take time to develop, so they are not a major issue for young workers. What this means is that policies regarding girls and young women should be predicated partly on

their experience in the labour market, as girls and young women, and partly on what they can be expected to experience as adults, if policies do not change;

vi) Though anecdotal evidence abounds, there is a serious lack of systematic data on employment and unemployment among disabled young people. Better documentation is especially required to reveal the causes of joblessness among them, and the nature of their disabling conditions with respect to what is required for different jobs. Without this, it is impossible for policy makers to formulate effective remedies;

vii) Finally, it should be clear that though the youth unemployment crisis is identifiable as a problem with distinct impacts on a clearly defineable segment of the population, it cannot be examined in a vacuum. Discussions about causes of and remedies to youth unemployment cannot be separated neatly from many aspects of the total unemployment problem, and more general labour market, economic, educational, and social policies. Consequently, while the central theme of this report is youth joblessness, much of the discussion touches on issues related to more general topics.

Developing a Balanced Response

The youth unemployment situation that OECD countries face in the early 1980s is a changed one. In some respects there have been material changes in who is affected and what problems young people face; in other respects the changes reflect a more complete understanding of the dynamics of the overall problem and the context in which it must be viewed. In some countries current policies need to be reappraised and new options considered. Five questions seem especially important in the process of such an evaluation:

i) How important are young people relative to competing groups putting a claim on scarce public resources and vying for a place in the labour market?

ii) What do young people want and expect from adulthood and work?

iii) How far can "the market" be relied on for making adjustments to benefit youth, and to what extent must government intervene and provide services directly?

iv) What is the appropriate balance between universal and selective interventions?

v) How far should policies try to meet the needs of youth, and how far should policies try to meet the needs of a "moving target" -- a cohort of persons born in the late 1950s through the mid-1960s whose entry into the labour market has been complicated by their numbers, a period of poor economic growth, and structural change?

The policy options available to individual countries will be constrained

first, in large part, by the answers to these questions. Beyond these constraints, though, youth employment policies, taken in their entirety, should reflect a balance between macro-economic and micro-economic policies, as well as balance among measures for meeting the particular needs of different segments of the youth population.

Since youth unemployment and problems related to it are largely a product of economic conditions, sound macro-economic policies are a necessary component of any policy response. Naturally, youth will share the benefits of policies that put Member countries on a sustainable non-inflationary growth path. But the Secretariat estimates that, if real OECD output growth were to recover to 4 per cent annually from mid-1984, it would take nearly five years of such growth to bring joblessness down to the 1979 level, which at that time was judged to be unacceptably high. Even if Member countries could achieve that kind of GDP growth, it would put an enormous burden on jobless youth in the meantime. The nature and magnitude of the youth unemployment problem therefore requires that remedies be sought in three additional areas:

-- Improving the job readiness and employment opportunities of all youth;

-- Providing targeted assistance to segments of the youth population with special needs -- disadvantaged youth and females especially;

-- Providing constructive temporary alternatives to those youths who cannot secure employment.

General measures are necessary to assure the overall quality of job preparation and skill training. Education and non-job-specific vocational education need to do more in some countries -- and continue their progress in others -- to improve basic job readiness, especially with respect to emerging computer-based technology. But policy makers should refrain from crowding out traditional education functions with job preparation and from judging education solely on the basis of how school leavers fare in the labour market. Institution-based, and enterprise-based training strategies, including apprenticeship, are a necessary ingredient for improving employability with skills that are more job specific. But, to the extent they are successful, it is as systems for meeting the skill requirements of employers.

When such systems attempt too much to act as a reservoir for unemployed youth they may do much to harm their effectiveness and credibility. As part of a comprehensive battery of measures for reducing youth joblessness, Member countries should also consider micro-economic policies for increasing employment. These include suitable types of work sharing to reallocate existing work time, marginal labour cost reduction schemes to encourage net new hiring or to favour youth, and subsidised work experience.

Though the barriers that high-risk youth faces have been well documented, there is still a need to act on what is known. In countries where many young people leave school early or complete compulsory schooling lacking basic competences, compulsory education may need to be strengthened, starting with the early school years, to assure that these youths have essential verbal, mathematical and problem-solving competences, and to reduce early school-leaving rates. Opportunities beyond the compulsory level should be

expanded and improved -- not just in ways to "make room" for these youths, but in ways to provide the compensatory aid they may need in order to truly benefit.

High-risk youths lack access to the informal networks of friends and relatives that help provide access to good jobs and facilitate adjustment to the world of work. Experience in some countries has demonstrated that education and training institutions can compensate for this with improved guidance for vocationally oriented youth, more up-to-date and comprehensive labour market information, and a greater emphasis on career exploration and planning. There may also be a need in some countries to attack discrimination with better enforcement of existing legislation and, possibly, new measures, even quotas.

Policies for redressing the inequities between males and females in the labour market must start with girls and young women. Supply-side measures are required to assure that neither curriculum nor guidance material are biased in a way that discourages them from considering non-traditional occupations or taking up the education and training appropriate for non-traditional careers. On the demand side there may be a need to eliminate anachronistic protective legislation that requires employers to exclude women from certain jobs, restrict their hours, or otherwise treat them differently from males, and to forbid employers to discriminate on the basis of sex in hiring and promotion policies and practices.

In countries where youth joblessness is relatively low, policies like those suggested above may suffice. But in other countries and the OECD area as a whole, it will be years before youth unemployment can be brought under control. Therefore, there is a need to consider additional measures offering alternatives to labour force participation and work until more jobs are available for young people. Such schemes might include an entitlement to education or training beyond the secondary level, but also a choice to spend time on personal pursuits: travel, or entrepreneurship activities, for example.

No country can adopt one single policy to improve its youth unemployment situation. Balance and diversity are needed to match the complexity of causes and the range of effects. The same could be said of almost any public policy area. But it is especially important that youth unemployment be taken seriously and remedies considered carefully. The consequences of ignoring it or addressing it badly could have negative effects on the overall economies of OECD countries during the working lives of these young people.

Chapter 2

THE CURRENT YOUTH UNEMPLOYMENT SITUATION

I. THE STATISTICAL RECORD

Since the Secretariat reported last on youth unemployment in 1980 (4), the problem has deteriorated further and shows signs of contributing to a long-term, more chronic problem -- still acute in its effects but more resistant to remedies. This turn for the worse has come at precisely the time when youth unemployment has lost visibility. The rise in unemployment rates and duration of joblessness for youth has been overshadowed by the unemployment crisis among adults.

Visible or not, the youth unemployment situation, when properly evaluated, has grown in scale and intensity. Unemployment rates and employment-to-population ratios indicate further deterioration. Recent work by the Secretariat on flows into and out of unemployment (5) paints a bleaker picture than before of the duration of jobless spells, and the consequences of protracted spells of joblessness. There is also new evidence of segmentation in the youth labour force, marked by distinct differences between the experience of males and females, and between teenagers and young adults (5). These developments have contrasted with what was expected after the 1980 report.

That report itself already presented a grim picture. In the time since the report of 1978, youth unemployment rates in eleven of the fourteen countries for which data were available, had risen. The average for all fourteen countries was 11.3 per cent. The rate exceeded 11 per cent in nine of the fourteen countries for which data were available. The ratio of youth to adult unemployment increased during the same time in eight of the fourteen countries for which data were available. Moreover, there were signs that some groups of young people were suffering disproportionately. Young adults were actually faring worse than teenagers, and females were faring worse as a group among both teenagers and young adults.

Yet, grim as the situation was in 1979, there was some reason for optimism. Youth unemployment had peaked and started to decline in half the countries, employment-to-population ratios for females were rising in most countries and there was evidence to indicate that government interventions could make a difference. At least some improvement (or the absence of deterioration) was attributable to new government policies targeted on youth, in the United Kingdom and the United States in particular.

The 1979 oil shock and the subsequent slide into worldwide recession changed all that. The 3.1 per cent growth rate of real GDP recorded for Member countries in 1979 turned into a one-half percentage point decline in 1982. The effects of the oil shock were aggravated by restrictive policies adopted by countries to control inflation, which rose to 14 per cent in the first half of 1980 before dropping to an estimated 7.75 per cent in 1982 (5).

The effects on youth unemployment were devastating. It increased between 1979 and 1982 in all of the seven largest Member countries, and in eleven of the twelve countries for which data are available. Overall, youth unemployment increased by a half in all those countries to a level of 17.4 per cent; the lowest incidence of joblessness for youth was 4.4 per cent in Japan, and the highest was 36.9 per cent in Spain (see Table 1).

Unemployment for female teenagers and 20-24 year-olds was higher than for the respective male age groups in most countries, with the greatest gender differences occurring in France and Germany, where even 20-24 year-old females fared substantially worse than male teenagers. Only Australia, Canada, Finland and Great Britain recorded lower jobless rates for females; gender differences were small in Japan, Sweden, the United States and Norway.

Though an economic recovery has begun to take hold in most OECD countries, it holds out only limited hope for young people. The strength and durability of the recovery is uneven across the OECD area. The recovery started in the United States where it has been strongest, and then spread to Japan and Europe. But the pace of improvements has been especially slow in Europe where in 1983 real GNP in the four largest countries grew at an annual rate of 1.1 per cent compared to 3.4 per cent in the United States and 3.0 per cent in Japan; the rate of growth for Europe in 1984 is expected to be only slightly more than a third of that for the United States. More disturbingly, though, the pace of recovery is already showing signs of lagging, and this at a point when unemployment has barely shown sign of easing (6).

Only in the United States where there has been dramatic job growth is there much hope of employment for the large numbers of unemployed. Overall unemployment, there, is expected to drop from the 1983 rate of 7.4 to 6 per cent in 1984, and youth unemployment is expected to drop from 16.4 to 13 per cent. In contrast, overall unemployment in the rest of the OECD is expected to rise, with the total number of unemployed in Europe rising from 19 million in mid-1984 to 19 ½ million in mid-1985. The unemployment rate for young people in the four major European countries is expected to increase from 21.1 per cent in 1983 to 22 ¼ per cent in 1984 and 22 ¾ per cent in 1985 (7).

In short, contrary to all past experience with youth unemployment in the OECD area, the current economic recovery is not expected to yield appreciable dividends in increased employment opportunities for young people in most OECD countries, or reduced unemployment rates.

The only apparent bright spot in an otherwise dismal picture has been the levelling off and decline in the ratio of youth to adult unemployment. Between 1979 and 1980, nearly two-thirds of the countries for which data were available recorded increasing ratios. Since then, only Germany and Spain have recorded increases -- both slight. But even this statistic leaves little room

Table 1

YOUTH UNEMPLOYMENT RATES FOR SELECTED OECD COUNTRIES, 1970-83 (a)

	1970	1973	1976	1977	1978	1979	1980	1981	1982	1983
Australia(b)	2.3	3.3	9.8	12.2	12.6	12.2	12.3	10.8	12.9	17.9
Belgium		3.0	7.7(d)	11.2	-	14.0	-	20.8	-	-
Canada	10.2	9.6	12.7	14.4	14.5	13.0	13.2	13.3	18.7	19.9
Denmark					-	4.5	-	5.4	-	-
Finland	3.2	4.7	8.5	14.9	16.6	12.8	10.0	10.9	11.8	11.4
France(f)	3.2	4.0	10.1	11.1	11.0	13.3	15.0	17.0	20.2(e)	21.0
Germany(g)	0.4	1.0	5.2	5.4	4.8	3.7	4.2	7.0	9.6	10.8
Ireland	9.1(c)		14.8(d)	14.4		10.0		16.3	-	-
Italy	10.2	12.6	14.5	23.9	24.8	25.6	25.2	27.4	29.7	32.0
Japan	2.0	2.3	3.1	3.5	3.8	3.4	3.6	4.0	4.4	4.5
Netherlands	-	-	3.0	3.1	2.9	2.8	2.9	3.3	-	-
New Zealand(h)(i)	-	-	-	-	-	-	-	11.6	-	-
Norway	-	5.6	5.7	5.0	5.9	6.6	5.4	5.8	8.1	9.7
Portugal (1st sem.)	-	7.0(d)	11.4	14.1	16.8	17.5	15.7	16.9	-	-
Spain(j)	-	5.1	10.7	13.5	18.6	22.3	28.5	33.7	36.9	38.9
Switzerland(k)	-	-	0.9	0.5	0.4	0.4	0.2	0.2	0.4	-
Sweden	2.9	5.2	3.7	4.4	5.5	5.0	5.1	6.3	7.6	8.0
United Kingdom(l)	2.9	3.2	11.8	13.5	12.7	11.3	15.1	19.6	23.1	23.2
United States	9.9	9.9	14.0	13.0	11.7	11.3	13.3	14.3	17.0	16.4

a) The term "youth" generally refers to the 15-24 age group with a few exceptions: the age group is 14-24 in Italy and 16-24 in the United States, United Kingdom, Norway, Spain and Sweden. Data refer to the total youth labour force in all countries except Canada and Australia where the armed forces are excluded from the youth labour force.

b) Data refer to August of each year.

c) Rate for 1971.

d) Rate for 1975.

e) Break in series in 1982.

f) Data refer to March of each year except 1982 when the data refer to April-May. Conscripts are included in the labour force aged 15-24.

g) Unemployment figures are annual averages based on various national sources including the microcensus.

h) Unweighted average for males and females; 15-19 and 20-24 year-olds.

i) New Zealand government figures.

j) Data refer to the last quarter of each year.

k) Swiss government figures.

l) Unemployment figures refer to claimants in July of each year; from 1982 on they include non-claimant school leavers. Labour Force data are estimated from several sources include EEC Labour Force Sample Survey and refer to June of each year.

Source: Data for almost all countries are from household surveys. The sole exceptions are Germany and the United Kingdom where the data are from both registration and household survey sources.

for complacency; it reflects rapidly rising adult jobless rates, rather than falling youth unemployment rates. It also reflects demographic factors in countries such as the United States and Canada, where the youth population is declining and the unemployed young adults of the late 1970s are becoming the unemployed adults of the 1980s. Youth unemployment rates alone (and in comparison to those for adults) provide only a partial picture of joblessness experienced by young people. To get a more complete picture it is helpful to consider the duration of unemployment spells as well as the flows of young people into and out of unemployment. In the past, the Secretariat found that young people in the OECD area experience more frequent spells of unemployment than adults. This pattern continues and seems attributable to the fact that young people do "shop around", trying different jobs. However, they are also heavily concentrated in marginal employment and, having less seniority than older workers, are laid off before others during a recession.

Finally, they have options outside the labour force -- alternatives to unemployment including education. In the face of widespread unemployment, they are more inclined and able than adults to withdraw from the labour force and the category of "unemployed". (This contributes to hidden unemployment in the sense that the measured unemployment rate underestimates the number of persons who are out of work and actually interested in finding a job, by not counting those who are not actively seeking employment.) Though young people experience unemployment spells more frequently than adults, their spells of unemployment are shorter. Some of the reasons are similar to the reasons for more frequent spells of unemployment: a somewhat looser labour force attachment permits them to move out of the labour force more easily; they are not under the same pressure as adults to keep looking for work. Moreover young people are in lower-paid jobs requiring less skill and experience. Skill requirements are more homogeneous and the wages they are willing to accept are lower; this makes jobs easier to find.

But though unemployment spells for young people are not as long as those for adults, they have been lengthening as the recession and structural changes in the labour market have reduced the number of job opportunities. The weighted average for the duration of unemployment spells in progress increased by more than 80 per cent between 1973 and 1982 (7). The incidence of long-term youth unemployment -- for spells of six months and over and twelve months and over -- with few exceptions increased throughout OECD countries, dramatically so in the case of the larger countries.

While youth unemployment has been rising to record levels there have been noteworthy accompanying changes -- voluntary and involuntary -- in employment and labour supply behaviour among young people. One has been their voluntary withdrawal from the labour force and an increase in educational enrolments. Since the late 1970s youth labour force participation rates have declined in all countries except Finland, Great Britain, Italy and Portugal; they have remained stable in the Netherlands. Declines have been particularly steep among teenagers (see Figure 2). Young people have withdrawn from the labour force apparently in the face of poor job prospects. Many are discouraged; but many who would otherwise work are remaining in school longer, or returning to school (see Table 2 and figures). This has had the effect of keeping youth unemployment rates from rising higher than they already are. Similarly, though, when the hoped for economic recovery is underway, youth unemployment rates may fall only slowly, or even increase, as many of them return to the labour force.

Table 2

RATIO OF YOUTH TO ADULT UNEMPLOYMENT RATES FOR SELECTED OECD COUNTRIES, 1970-82

	1970	1973	1976	1977	1978	1979	1980	1981	1982
Australia	2.1	2.7	3.3	3.7	3.2	3.4	3.8	2.9	2.9
Belgium		2.3	3.3(c)	4.5	-	2.4	-	2.3	-
Canada	2.4	2.4	2.5	2.5	2.3	2.4	2.4	2.4	2.3
Denmark			2.8	2.4	2.0	1.7	-	1.7	-
Finland	1.8	2.6	2.7	3.2	2.7	2.4	2.8	2.6	2.2
France	2.2	2.3	3.2	3.3	3.1	3.3	3.6	3.5	3.7
Germany	1.0	1.3	1.7	1.8	1.7	1.3	1.5	1.7	-
Ireland	2.0(a)		1.9(c)	2.0	-	1.7	-	1.8	-
Italy	6.5	7.4	8.7	6.5	7.0	6.6	7.2	6.9	-
Japan	2.2	2.4	1.7	1.9	1.9	1.9	2.0	2.0	2.1
Netherlands		1.9	2.3(c)	2.7					
Norway		7.0	6.7	6.3	5.4	6.0	5.4	4.8	
Portugal		7.3(b)	3.6	4.5	4.8	4.5	4.4	3.6	
Spain	3.0	2.3	3.6	4.0	4.3	4.1	3.8	3.9	
Sweden	2.4	2.8	3.1	3.5	3.5	3.3	3.6	3.5	3.3
United Kingdom	1.5	1.4	3.1	3.3	3.2	3.0	3.1	2.5	2.4
United States	3.1	3.2	2.6	2.7	2.9	2.9	2.6	2.6	2.3

a) Rate for 1971.
b) Rate for 1974.
c) Rate for 1975.

Another development in the youth labour force, this one less voluntary, has been an increase in part-time employment. Part-time employment for all ages has increased throughout the OECD area in response to cyclical fluctuations, and structural changes in the economy, but also, apparently, as the result of changes in labour supply behaviour. Between 1973 and 1981, nearly one of every five net new jobs created was a part-time position (7). Though the growth in part-time employment slackened after recovery from the first oil shock, between 1979 and 1981 growth in part-time employment outstripped growth in full-time employment in all OECD countries. Data on part-time employment among young people is far from complete, but what is available certainly indicates that the trend is in the direction of more part-time employment relative to full-time employment. In countries where more detailed data are available, it appears that some of the part-time employment is involuntary, necessitated by economic conditions. But much is voluntary and seems to reflect a growing tendency to mix work with enrolments in education and training activities (8).

A last facet of the youth unemployment problem, much harder to document at this time, but no less important for the persons it affects, is the situation facing disabled youth.

Figure 1 **AGE AND SEX SPECIFIC UNEMPLOYMENT RATES FOR SELECTED COUNTRIES**

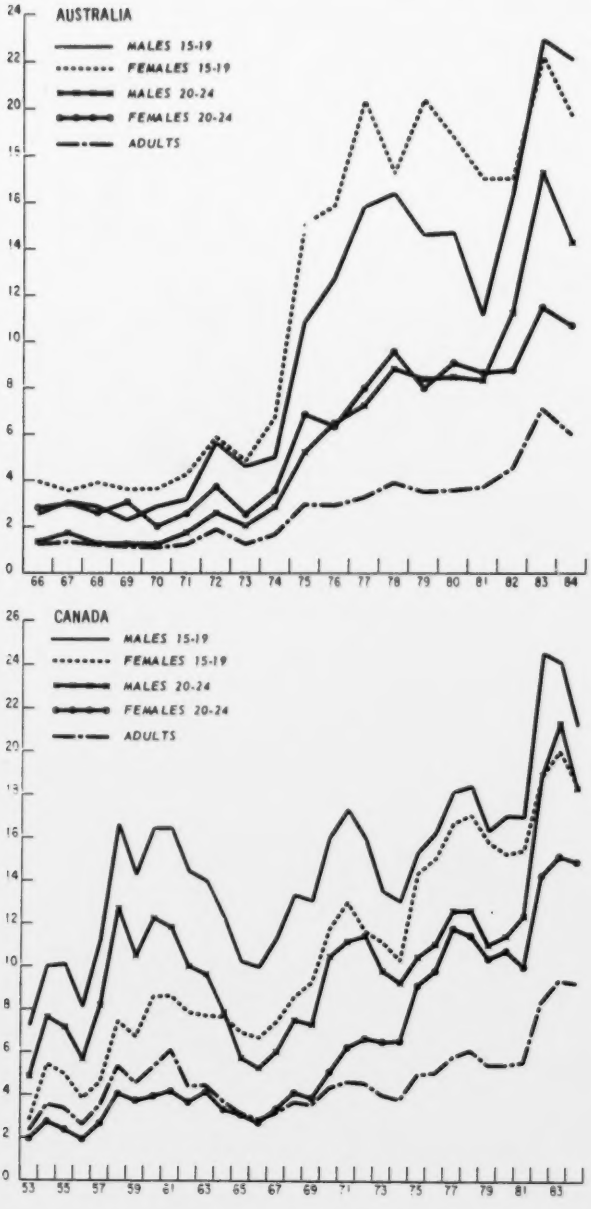

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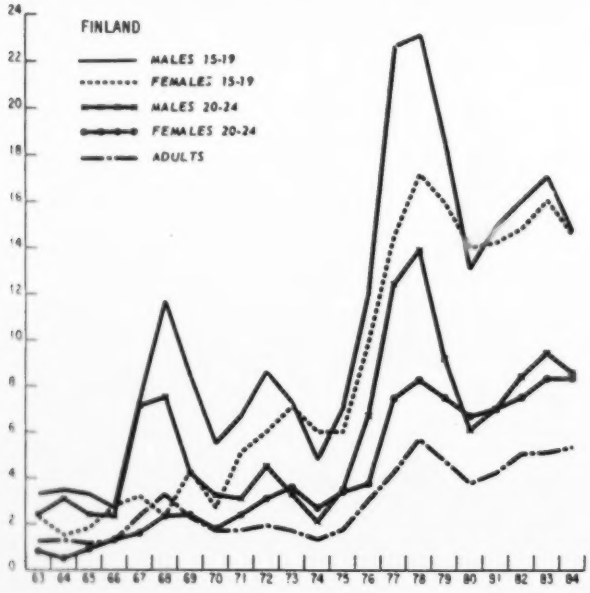
Figure 1 (Continued) **AGE AND SEX SPECIFIC UNEMPLOYMENT RATES FOR SELECTED COUNTRIES**



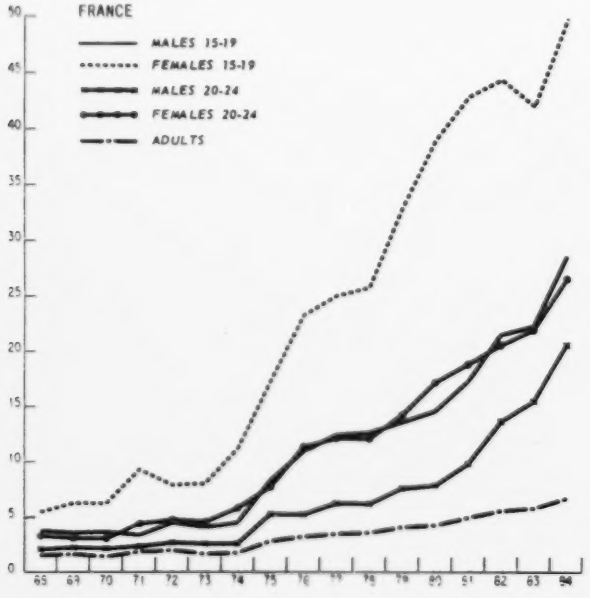
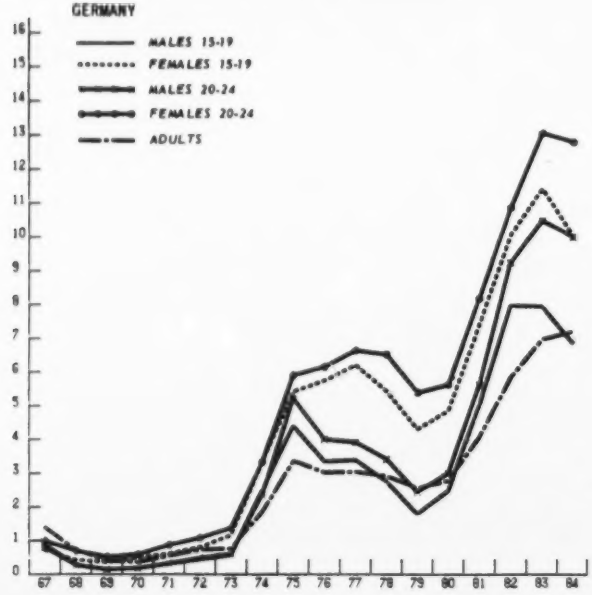


Figure 1 (Continued) **AGE AND SEX SPECIFIC UNEMPLOYMENT RATES FOR SELECTED COUNTRIES**



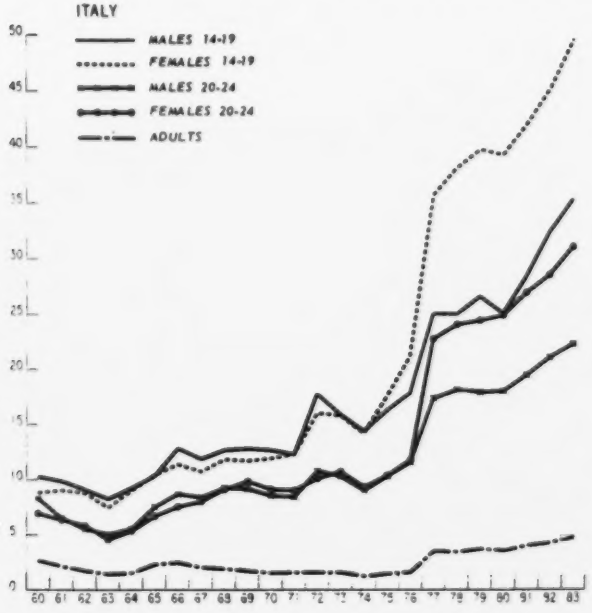


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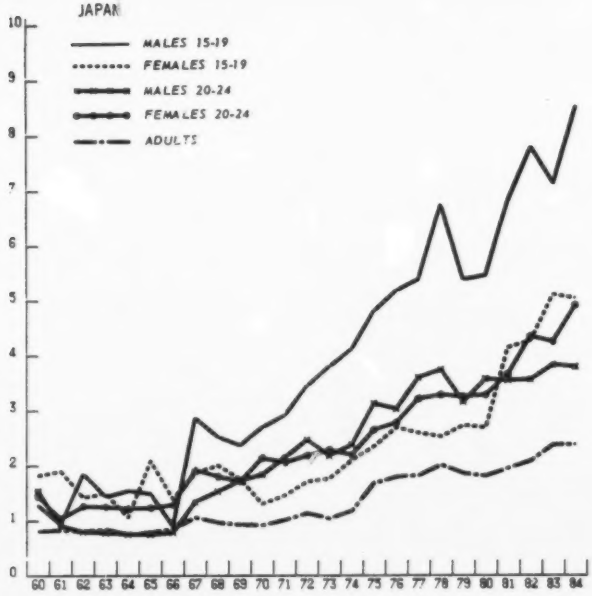
Figure 1 (Continued) **AGE AND SEX SPECIFIC UNEMPLOYMENT RATES FOR SELECTED COUNTRIES**



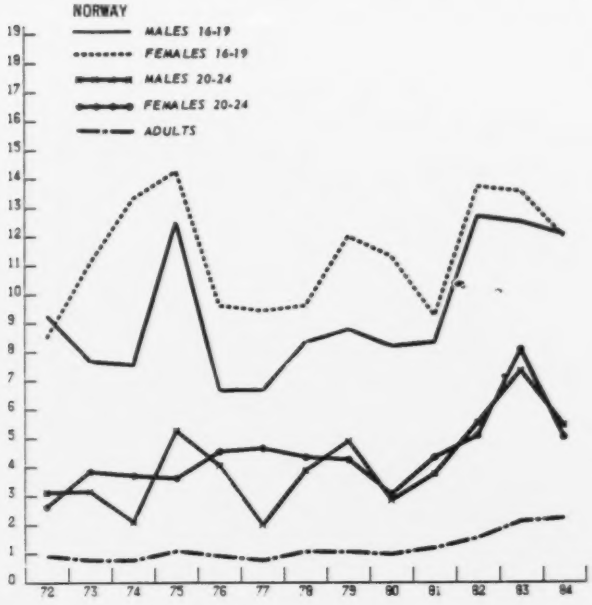


Figure 1 (Continued) **AGE AND SEX SPECIFIC UNEMPLOYMENT RATES FOR SELECTED COUNTRIES**

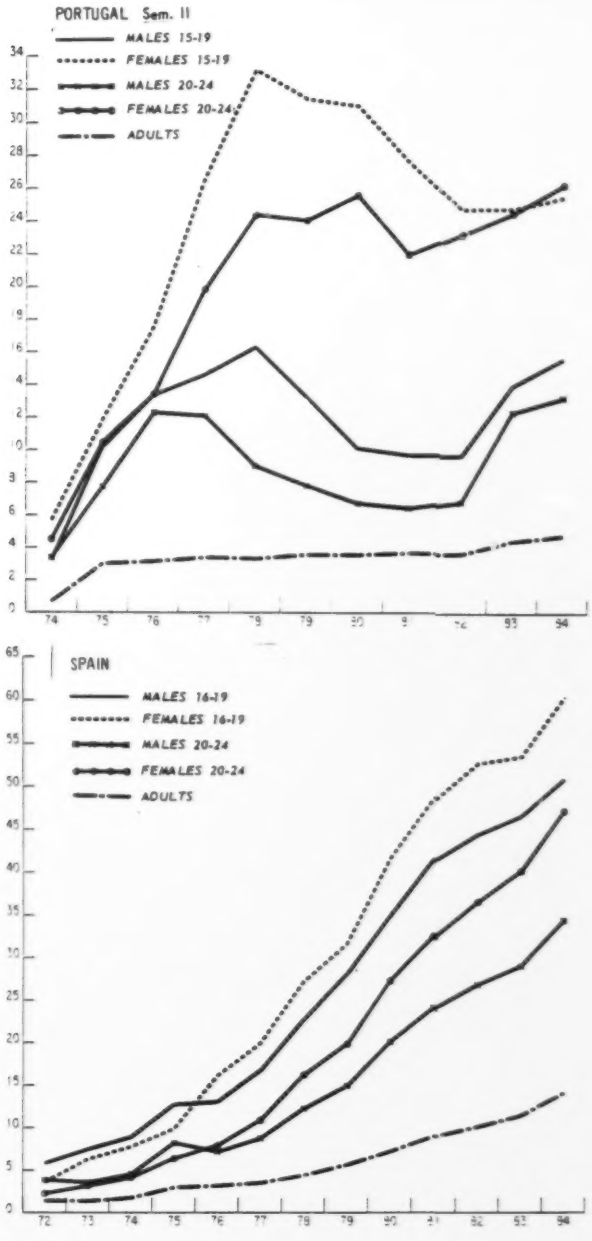


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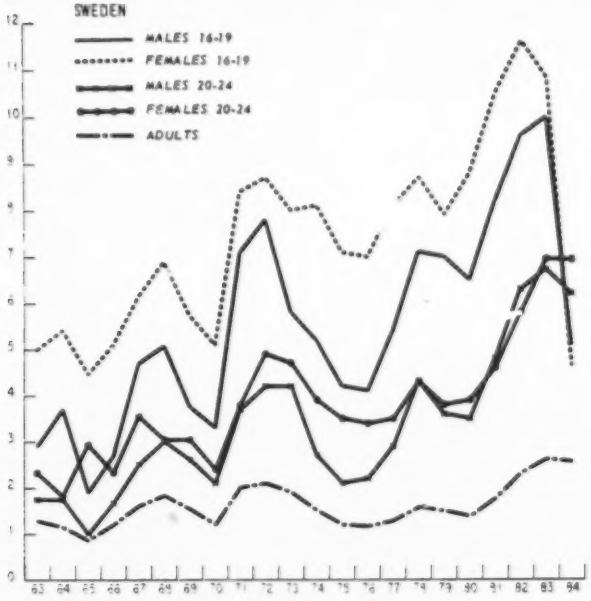
Figure 1 (Continued) **AGE AND SEX SPECIFIC UNEMPLOYMENT RATES FOR SELECTED COUNTRIES**



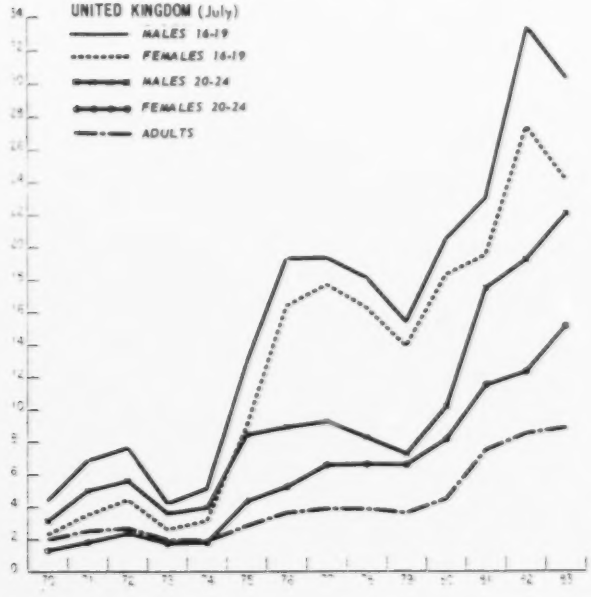


Figure 1 (Continued) **AGE AND SEX SPECIFIC UNEMPLOYMENT RATES FOR SELECTED COUNTRIES**

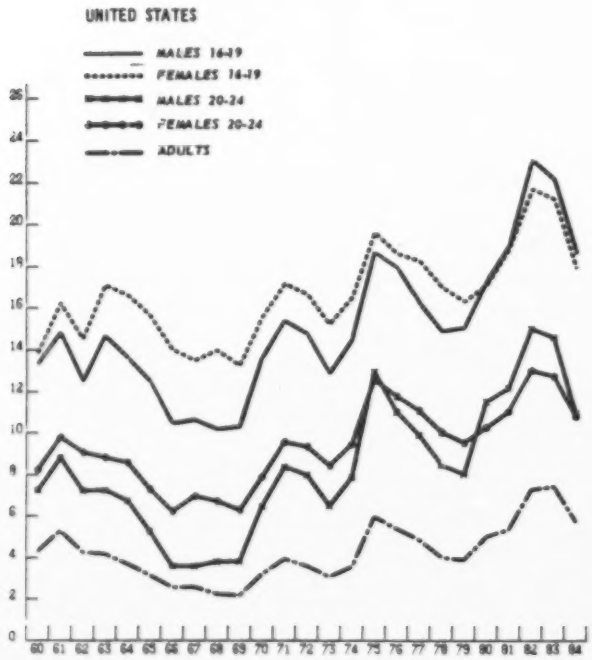


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Figure 2 **AGE AND SEX SPECIFIC LABOUR FORCE PARTICIPATION RATES FOR SELECTED COUNTRIES**

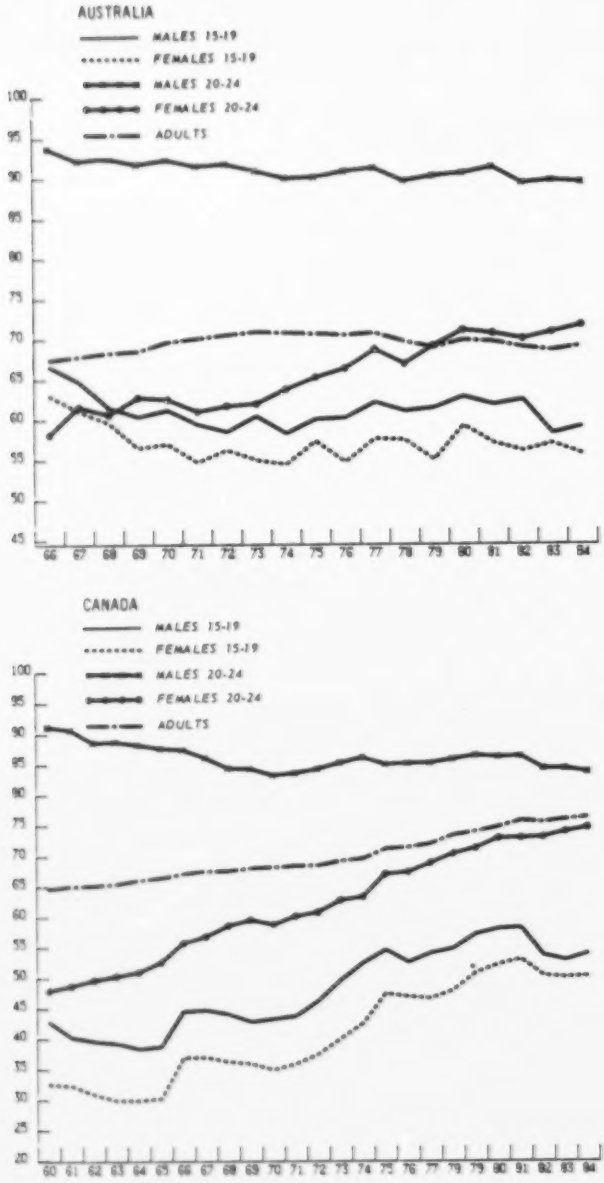

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Figure 2 (Continued) **AGE AND SEX SPECIFIC LABOUR FORCE PARTICIPATION RATES FOR SELECTED COUNTRIES**

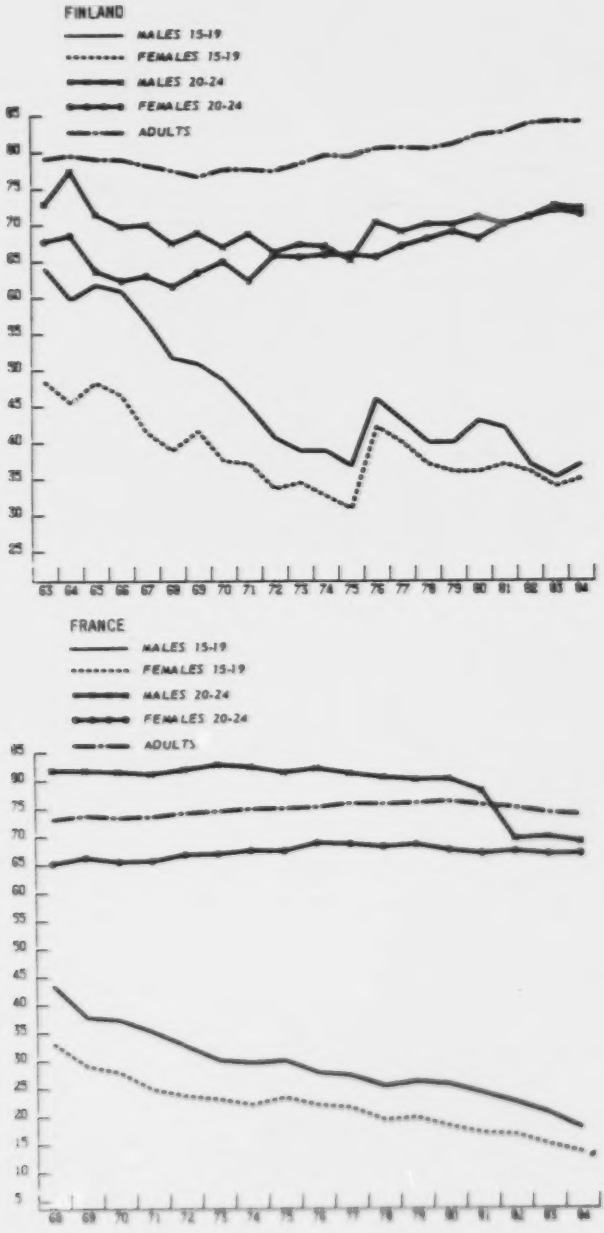

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Figure 2 (Continued) **AGE AND SEX SPECIFIC LABOUR FORCE PARTICIPATION RATES FOR SELECTED COUNTRIES**

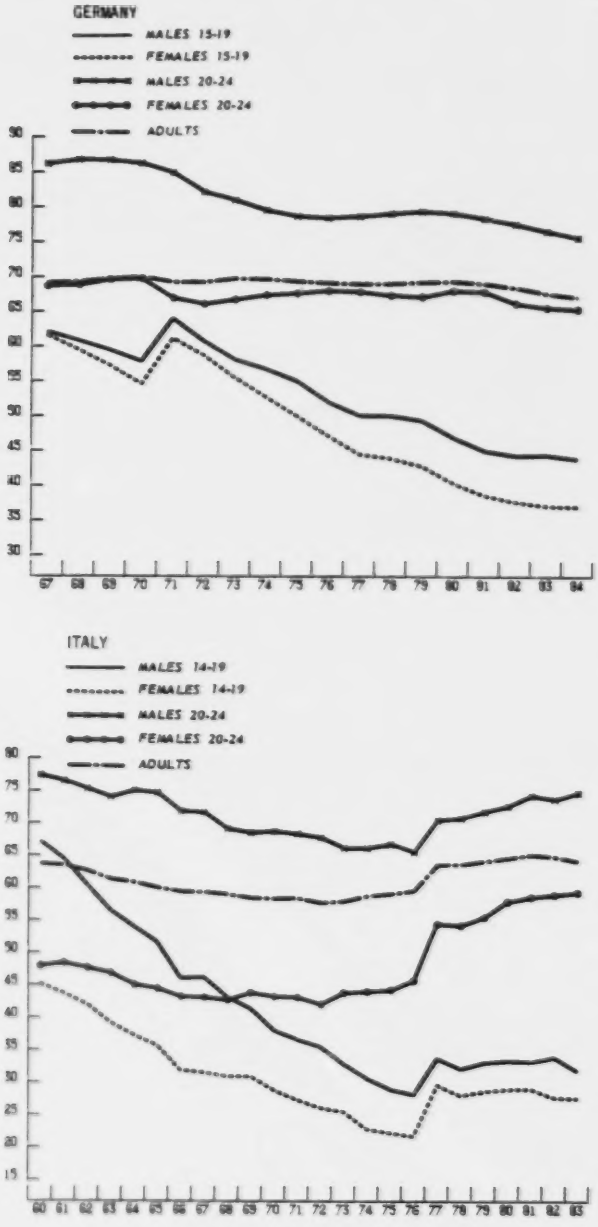

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Figure 2 (Continued) **AGE AND SEX SPECIFIC LABOUR FORCE PARTICIPATION RATES FOR SELECTED COUNTRIES**

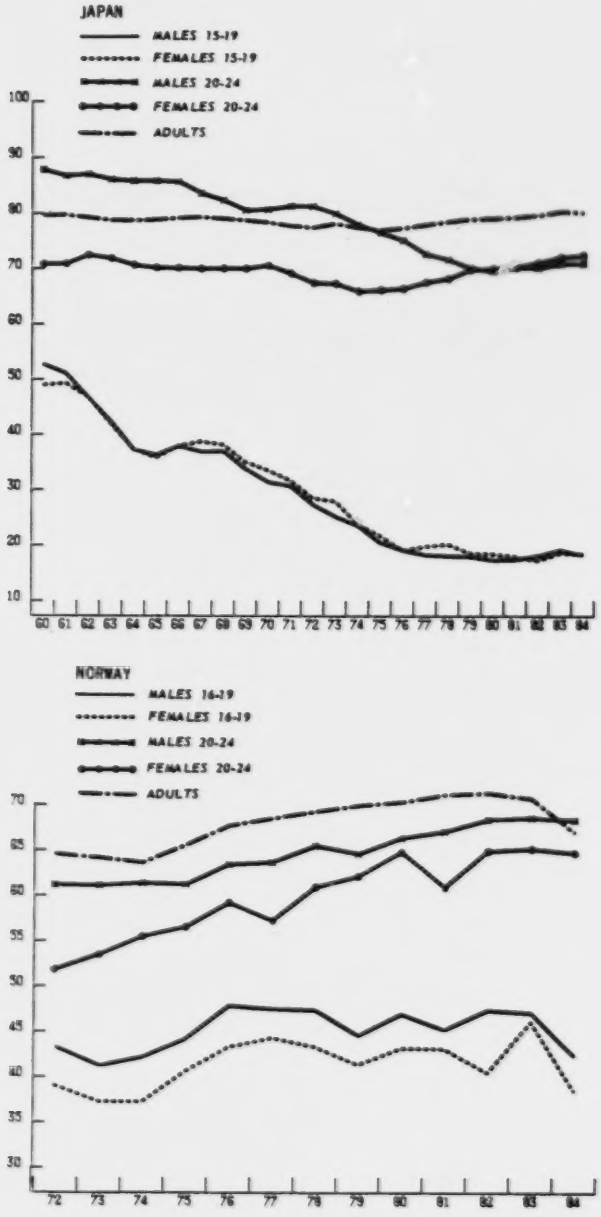


Figure 2 (Continued) **AGE AND SEX SPECIFIC LABOUR FORCE PARTICIPATION RATES FOR SELECTED COUNTRIES**

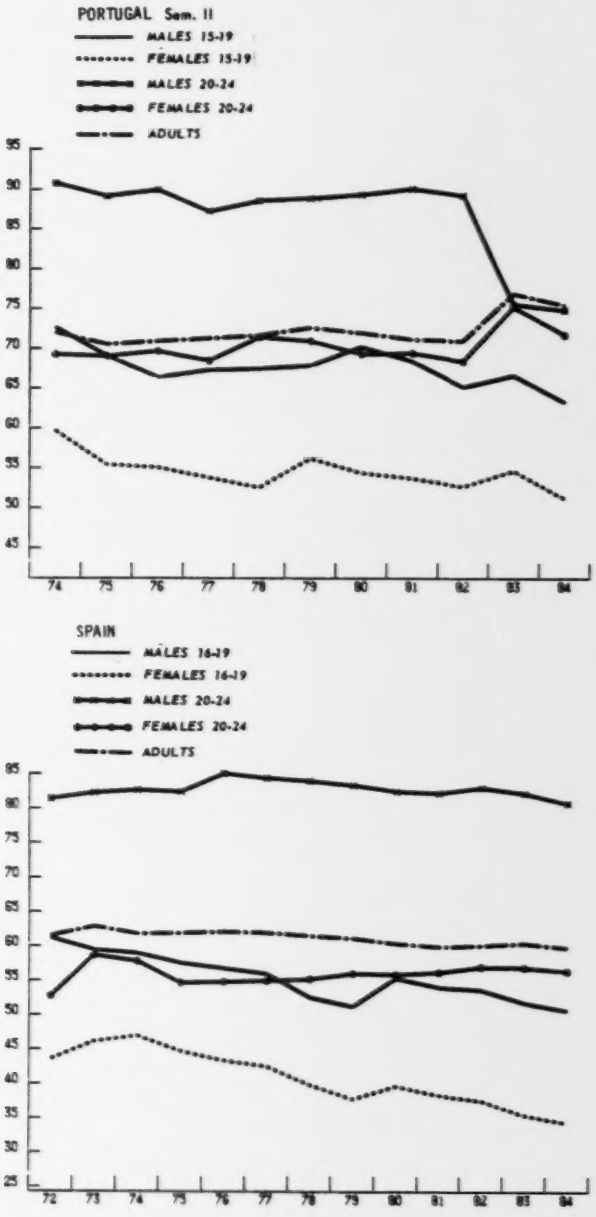
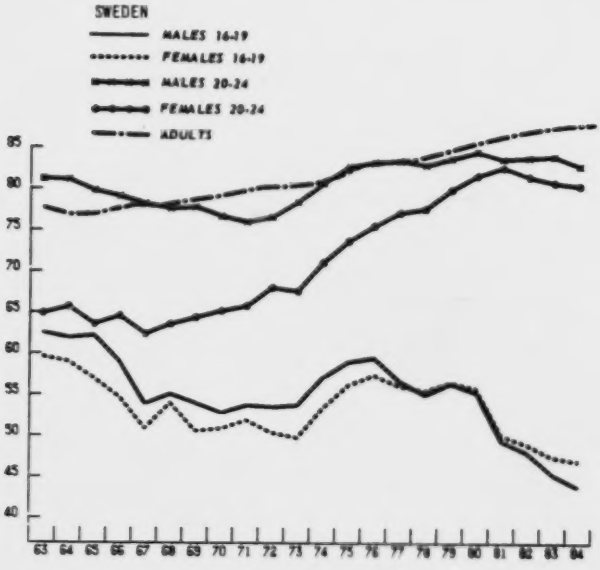


Figure 2 (Continued) **AGE AND SEX SPECIFIC LABOUR FORCE PARTICIPATION RATES FOR SELECTED COUNTRIES**



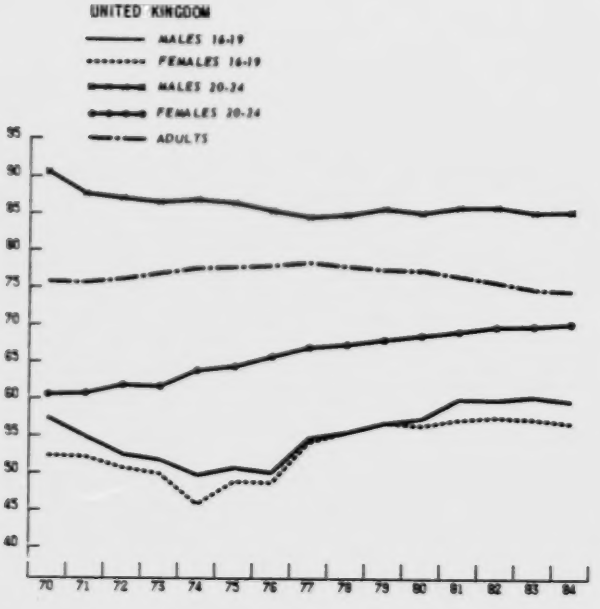


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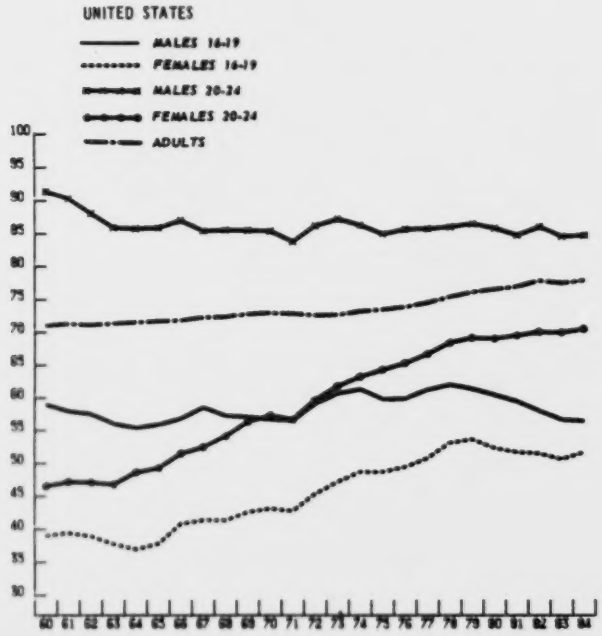
Figure 2 (Continued) **AGE AND SEX SPECIFIC LABOUR FORCE PARTICIPATION RATES FOR SELECTED COUNTRIES**



The Participation rate for a given age group is defined as the ratio between the total (or civilian) labour force for the age group divided by the total population for the age group, except in the cases of the participation rate for the age group 25 and over. The participation rate for the age group 25 and over is defined as the total (or civilian) labour force for this age group divided by total population for ages 25-64.

The Unemployment rate for a given age group is defined as the number of unemployed for the age group divided by the total (or civilian) labour force for the age group. The unemployment rate for the age group 25 and over is defined as the number of unemployed for this age group divided by the total labour force aged 25 and over.

Source: OECD, Labour Force Statistics, Part III.

The unemployment plight of disabled youth is not new, but it has only recently been gaining in visibility. Political efforts on behalf of groups representing disabled persons are forcing greater recognition. So too is the growing acceptance of policies by Member countries to integrate as many as possible of the handicapped in normal schools or places of training. The problems disabled youth face in preparing for and entering the labour market are legion and complex. Many are physically or mentally ill-equipped for education, training, and a job without intensive and continuous assistance. Nearly all need some kind of extra help. But the causes of their problems go beyond their own impairments. Parental attitudes and employer prejudice frequently discourage disabled young people. Even the public institutions designed to help them can foreclose labour market options by being overly protective. They isolate them from mainstream institutions, and frequently prepare them for a lifetime of dependency or, at best, sheltered employment; in both cases personal ambitions are frustrated and human resources wasted. Perhaps most importantly, for the time being, the problems of job preparation and labour market entry for disabled youth suffer from a lack of documentation. This has limited its visibility as a policy topic and certainly limited the attention it gets in many OECD countries as a part of the youth unemployment problem. To help correct this, the Secretariat has initiated new work that examines, among other things, the issue of the transition of disabled youth to work and adulthood (9). It is intended that this work will help better document the nature and extent of unemployment and underemployment among disabled youth and the experience of some OECD countries in dealing with those problems, and contains suggestions on policies that other countries might try.

Statistics on the nature and extent of youth employment and unemployment pose the crisis facing young people in OECD countries in bleak terms that put policy makers under strong public pressure to do something to relieve the crisis. Indeed the dismal picture has already inspired over the last several years a wide range of measures among OECD countries for combating the problem. Obviously though, more needs to be done. Whether "more" is expanding or persisting with policies that have already been tried, or is something new, depends in large part on what one concludes about the causes of youth unemployment and the effectiveness of certain measures in dealing with those causes in particular countries. The following section moves the analysis in that direction.

II. REFINING VIEWS ON THE CAUSES OF YOUTH JOBLESSNESS AND WAYS OF RESPONDING TO IT

In its earlier reports of 1978 and 1980, the Secretariat identified three fundamental causes of youth unemployment: sluggish economic growth and its depressing effect on the demand for labour; the demographics of the "baby boom" entering the labour force, swelling the supply of young, would-be workers; and structural factors that tended to segment labour supply and demand, differentiating youth from adults in terms of the attributes and skills they brought to the labour market, and in terms of their treatment under laws and legislation and collective bargaining agreements.

These basic conclusions still hold; but, in the light of further work, it is possible to refine them in ways which have implications for new policy approaches. These can be summarised in terms of the tight competition for jobs, the general disadvantages faced by young people relative to adults in the labour market, and the particular problems faced by high-risk youth and girls and young women.

a) More Competition for Scarce Jobs

In a comprehensive context, a large component of youth unemployment can be seen as being a function of macro-economic forces determining aggregate demand, and demographic forces and labour force participation patterns determining aggregate supply. In simple terms, youth employment prospects could be expected to improve with either an increase in economic activity or (if demand stayed the same) a decrease in the supply of workers in the labour force.

Unfortunately the trend over the past few years has been in the wrong directions -- with respect to both demand and supply -- to benefit young workers and potential workers. Macro-economic conditions, demographic factors, and changing labour force participation patterns have all conspired against them to increase the competition they must face for the declining number of jobs.

The post-war baby boom has strongly increased competition within the youth cohort. The 16-year-olds' share of the working age population increased dramatically in most OECD countries through the mid-1970s. In the mid-1970s it began to decline in the United States and Canada, and peaked in most other countries around 1980. Only in Iceland and Ireland are youth populations still growing steadily (10). The effect of this surge has been mitigated by a drop in labour force participation rates in most Member countries, which was caused by decreases in early-leaver rates for compulsory schooling, and increases in attendance in post-compulsory education and training activities. But none of that was enough to reduce the number of young people entering the labour market to a level that could be absorbed. While the older brothers and sisters of today's youth were readily absorbed into the economies of Member countries during the high growth era preceding the oil shocks, young people entering in the late 1970s and early 1980s have encountered many more difficulties.

The legacy of the crowding in labour markets that contributed in a major way to the youth unemployment crisis beginning in the 1970s may be a high-risk generation (see Figure 1). This high-risk generation, because of its numbers, may experience difficulty in being fully absorbed into the labour market until many people in it have grown well into adulthood. It is important then to consider the possibility that the youth unemployment problem of the 1970s and 1980s may be growing into a problem of unemployment and underemployment among prime-age adults.

The relative scarcity of jobs that young people face may be due to more than greater competition for entry-level jobs. There are signs that older workers may be leaving the labour force at a slower rate. Participation rates for workers 55 years and older have been steadily declining for the past several years. However, the rate of decline has slowed markedly since 1979,

and has increased slightly in Germany and Finland. The levelling off should not be too surprising since participation rates for older workers were already low. But the levelling off may mean that the one-time effects of early retirement schemes enacted in the 1970s have been played out (5), or that high rates of inflation convinced some would-be retirees that living on a fixed income would be difficult. In any case, it is not unreasonable to speculate that, though young workers are certainly not substitutes for older workers, if older workers are indeed slowing down their rate of retirement, the typical upward mobility pattern (caused by retirement) that frees up entry-level jobs will slow down. Additionally, as unemployment has risen, turnover rates for all ages have dropped, thus reducing vacancies that young people might fill.

b) Problems Encountered by All Youth

In 1982, though young people comprised less than one-fifth of the labour force of all OECD countries, more than two-fifths of the unemployed persons in OECD countries were youths. Macro-economic and demographic forces shed little light on the question of why young people in general shoulder such a large share of total unemployment compared with adults, and why their rate is consistently higher than that of adults: at least twice the adult rate in countries such as Japan, Canada and the United States, and more than six times the adult rate in Italy and Norway. There is still the question, too, as to why particular sub-groups of youth suffer disproportionately. However, the micro-economic analysis of supply- and demand-side factors suggests a number of reasons for these things.

Young people, relative to older workers in the labour market, lack experience, lack a "work record", and are usually less technically skilled. They are more likely to work in entry-level jobs marked by high turnover. They are at an exploratory stage in their lives marked by a looser attachment to the labour force, because of competing demands placed on their time, culturally acceptable alternatives to work, such as compulsory education (for the younger ones), post-compulsory education and training, and recreation. Moreover, they are less likely to face the economic imperative of older workers: few face the financial obligations of adults, and some have the resources of a family on which to fall back.

To the extent these kinds of supply-side conditions -- the absence of work experience and a weaker attachment to the labour force -- contribute to higher unemployment rates of youth relative to adults, interventions to overcome them are likely to have a limited impact. It is normally found far too expensive and time-consuming to bring the skill levels of young people up to levels comparable to adults. That is a liability that only actual job experience can overcome. Beyond that, their supply-side behaviour is voluntary, or at least is not the product of economic hardship. This would make it impractical to create a structured transition to work that rules out voluntary options that can impinge on a young person's attachment to the labour force. An exception must, however, be noted. It is precisely the interventionist approach that is adopted in those Member countries (Germany, Switzerland, Austria) that have an extensive apprenticeship system (covering up to 60 per cent of each age cohort) and combining on-the-job and off-the-job training for an average period of three years. This, together with relatively strong economies, has contributed to the youth-adult unemployment

differentials in these countries well below the OECD average and even negative prior to the 1974/75 recession.

The demand side is more complex. Young people seem to face a demand curve different from the one facing their elders in the labour force. Part of the difference is probably attributable in some countries to the presence of minimum wage laws that contribute to high wage costs of young people relative to their productivity on the job. Though there is no systematic analysis available on the impact of these minima on making young people too expensive to employ, there is reason to believe that it is substantial. Except in the case of certain apprenticeship arrangements, the collectively agreed wage minima (even youth sub-minima) exceed the statutory figure. Moreover, these agreements are more likely to cover employment in stable "primary" labour markets. To the extent they price young people out of entry-level jobs, they may also be limiting access to paths for upward mobility.

Minimum wage research provides some evidence that statutory minima (and, by implication, collectively agreed upon minima) may price some young people out of the labour market because of the direct wage costs they impose (11). But there is good reason to believe that a variety of non-wage costs associated with recruiting, hiring, and training may have a great effect on demand for young workers as well. Non-wage labour costs can be broken down into two groups: variable and fixed costs. The former include social security and pension contributions that are proportional to salary or wages paid. To the extent these costs are indeed strictly proportional, it is likely that they would not be an especially important factor in depressing the demand for younger workers whose wages could be expected to be lower, and would not be affected by turnover. If, however, these costs are subject to ceilings (as are many social security payroll taxes), these non-wage labour costs make it disproportionately expensive to hire low-wage workers, including youth. Fixed costs for hiring and training are likely to be higher for young people. These costs are positively related to turnover and inversely related to the competences a young person brings to the job.

A final factor to consider in trying to understand the differential demand for young workers is the effect of laws that require them to be treated differently from adults and the effects of laws and collective bargaining agreements for protecting people already in jobs. Child labour laws have been enacted to protect young workers from exploitation. The laws are based in part on a social consensus that they may not have as much physical tolerance for work as adults, and also in recognition of the belief that the primary activity of young people should be education. The various laws and regulations governing young workers, besides setting minimum wages, restrict hours of work, the kinds of occupations young workers may engage in, and the kinds of machinery and equipment they can use.

The effect of child labour laws on youth employment is not at all certain. One survey of child labour laws in the United States concluded that they did not contribute significantly to youth unemployment (12). To the extent child labour laws were found to interfere with the employment of young people, it was found that perceptions of laws may have been more important. "Employer confusion about and resistance to child labour laws are as much an impediment to youth opportunity as the setting of actual standards." (12, p. 37) However, what may be more important than child labour laws that are designed to keep young people out of certain jobs, is the strong growth in job

security measures designed to keep other workers employed. Several OECD countries provide special job protection to older workers. In Germany, for instance, the Works Constitution Law of 1972 regulates and protects the lay-off and compensation of redundant workers. Equally, collective bargaining agreements with strict seniority rules all have the effect of building in structural preferences that work against the employment of the young (13).

The discussion to this point has focused on examining why an excessive proportion of unemployment falls on young people. But none of this explains the enormous variations in labour market experience within the youth population. The markedly different experience of high-risk youth is at the heart of the structural youth unemployment problem that Member countries started to be concerned with in the late 1970s; it is likely to become one of the major socio-economic problems of the 1980s. The fact that some young people experience more unemployment and, when they are working, earn less, is traceable in large part to certain deficiencies with which they enter the labour market, and certain prejudicial attitudes held against them by employers. Girls and young women encounter somewhat different experiences in the labour market than boys and young men. Some of the differences are subtle and actually have more to do with what happens before females enter the labour market. In any event, they deserve attention because of the very marked inequalities that appear later in the working life of women.

c) The High-risk Group

Data on duration of unemployment indicates that, while most young people experience brief spells of joblessness, a relatively small minority suffer protracted spells of unemployment. For example, an analysis of unemployment duration and concentration in Canada, Germany, and the United States shows patterns of concentration in which a disproportionately large share of all unemployment is accounted for by a relatively few persons suffering extended spells of unemployment. In Canada, though only 5 per cent of all youth unemployment spells exceeded six months, 20 per cent of all youth unemployment was accounted for by those spells. In all three countries long-term unemployment was more concentrated on adults than on youths, partly because youths in long-term joblessness seem more likely to withdraw from the labour force. But the data indicate that there is a portion of the youth population that experiences a high concentration of long-term unemployment (14). This evidence strengthens the case made by others that there is a serious "hard-core" of structural unemployment concentrated on a relatively small share of the youth labour force. The questions for policy-makers are: Who is in the "hard-core", and why do they face higher risks in the labour market?

The "who" of the hard-core is a familiar litany: the economically and educationally disadvantaged migrants and resident racial minorities. They are the same ones who frequently are on the margin of society with respect to health care, educational attainment, housing conditions and general standards of living. They include large numbers of minority youth in the United States and migrant youth in the European countries. The causes of their poor labour market experience, like the causes of their marginal relationship with other institutions, are numerous, complex and interrelated. Education is pivotal. Early school leavers lack a certificate of graduation. The certificate is an important screening device for many employers. To the extent early school

leavers have limited educational competences, they are also harder to train. Though the marginal return to higher education shows some signs of declining, the importance of completing secondary education as a necessary (though not always sufficient) condition of employment is unequivocal (15). Geographical isolation can compound educational deficiencies for both rural youth and urban youth locked in cities with declining industrial bases. Rural youth are more likely to have difficulty getting to jobs -- as well as to the education and training opportunities that might improve their labour market prospects. For urban youth, the problem tends to be more one of isolation from thriving economic centres.

Another factor contributing to the structural hard-core youth unemployment among the disadvantaged is the lack of access to informal networks of friends and families, so important in learning about the world, planning careers, and gaining entry to jobs. This may be by virtue of coming from broken homes or, more commonly, by virtue of the fact that their own friends and families themselves suffer from marginal attachment to the labour force. Finally, discrimination on the part of employers keeps minority and migrant youths, for example, out of jobs. But too often, the employers can point to seemingly legitimate reasons for discrimination: a lack of skills, education or work experience (16). A disturbingly large number of these explanations trace back to a single underlying variable: persistent patterns of social inequality.

For the disadvantaged young, youth unemployment is far more than a labour market phenomenon. Repeated studies have demonstrated that its incidence and severity in many OECD countries is closely related to social class, economic circumstance, race and to a lesser extent, gender. Young people whose parents are poor and under-educated, and who are from minority racial groups face a bleak future. At the best of times their prospects in life are, on average, dim, and they are far more likely than other youth of similar ability to end up in low paying, low status jobs without a future. For the most part, however, they look forward not only to immediate prospects of unemployment but possibly to a decade without much chance of regular work.

d) Girls and Young Women

One striking fact with regard to young females in the labour market is that their problems lie as much outside it as within and, in many respects, their real labour market difficulties do not become obvious until adulthood. As indicated earlier, the unemployment situation of girls and young women in OECD countries is mixed. Their unemployment rates are higher than those of males in the same age group in most, but far from all, countries. Their labour force participation rates are lower as a rule, but not dramatically so. In short, the labour market experience of young females is not different in any systematic ways from that of young males, but this is not the complete picture. For one thing, although the experience of females versus males is quite mixed for teenagers and young adults in different countries, the gender differences for adults are the same almost everywhere: adult women, with few exceptions, have higher unemployment rates than males, and with no exceptions have lower labour force participation rates and enjoy lower wages and earnings.

Much of the disadvantaged status of women in the labour force can be attributed to occupational segregation on the basis of sex. Women are

concentrated in "traditionally female" occupations that, on the average, pay less. Moreover, because of the revolution in word-processing technology, many of the female-dominated clerical occupations are being rendered obsolete or are imposing new skill requirements that female workers, without outside resources, are unable to meet. Even in occupational areas that are sexually integrated, women consistently are over-represented in the lower end of the salary and wage distributions.

At least some of these patterns of gender differences reflect long-standing social biases against women in the work place: certain occupations are lower paid because they are dominated by female workers. But the unequal experience of males and females in the labour force is also due to subtle and not-so-subtle differences in the way they are prepared for work. It is this topic that is of particular importance to girls and young women.

Three interrelated factors appear to be important in preparation for work and the early labour market experience of girls and young women.

i) There are long-standing social norms (though in some cases disputed) of traditionally female and male occupations. These have led to stereotyping and ingrained prejudices that condone vocational and academic counselling for example, that steer women into traditional roles. These forces are pervasive and begin having an impact on perceptions and aspirations of girls at an early age;

ii) Educational attainment and skill training of girls and young women too frequently puts them on a vocational track leading to dead-end jobs, or jobs with limited upward or lateral mobility. Some of this is a matter of voluntary choice by girls and young women, and reflects powerful social conditioning. But some is also the product of vocational and academic counselling that reinforces stereotypes. For example, though educational attainment for females has been rising in OECD countries, females are more concentrated in liberal arts than males, and less concentrated in business-related scientific, mathematical and engineering areas. The latter are areas that typically have been dominated by males and, typically prove to have the greatest marketability for higher paying jobs. This bias in the way females have been prepared for work puts them at a distinct disadvantage to males, once they enter the labour market;

iii) Even when women enter the labour market fully qualified for non-traditional roles, they are still more likely to be placed in traditional female jobs, or to be paid less than similarly qualified males if they get a non-traditional one. Employer recruitment, hiring, training and promotion policies and practices have sex biases built into them that -- deliberately or not -- contribute to inequitable treatment for females in the labour market and on the job.

Most OECD countries have measures barring discrimination on the basis of sex, in education and in employment. But the burden of proving discrimination is on those who feel discriminated against. Though it may be easy to prove blatant discrimination, the subtle variety is harder to prove,

and because some of it is so embedded in social fabric, may be the most pernicious in terms of its effects. Another complication is that much of the discrimination that occurs is not deliberate but again, is the product of deeply ingrained attitudes. This makes it all the harder to overcome the problem, even when educators, trainers, labour market intermediaries and employers are committed to change (17).

e) Conclusions

The youth unemployment problem is really a complex set of multi-faceted problems that differ in terms of who is affected. The causes, as best they are understood, are similarly complex. There is a set of factors affecting all youth, and there are additional factors compounding the shared factors that create unique difficulties for "high-risk" youths with multiple disadvantages, and for girls and young women.

The complexity of the problems and their causes -- complexity in terms of number, overlap among them, and interraction among them -- dictates policy responses that are also complex. All OECD countries have adopted some measures for coping with youth unemployment. The following chapters present some criteria that might help in assessing what is already in place and further developing balanced policy responses to the youth unemployment problem, as well as suggestions for specific measures -- some tested and others not.

Chapter 3

CRITERIA FOR APPRAISING POLICY RESPONSES

More than ever before, youth unemployment challenges politicians as well as educators, economists and sociologists. The past several years of research into the causes of joblessness among young people, and evaluations of various measures for curing unemployment, have yielded new insights as to which policies help and which do not. But for OECD countries, there is still a harsh test of political will in deciding what steps they should now take -- either continuing existing policies for dealing with youth unemployment at current or higher levels of spending, or developing new policies -- the answer depends heavily on a range of questions with important political dimensions -- particularly how policies for solving the youth unemployment problem fit in with other social, economic and education policies.

This chapter reviews some of the more important political and technical issues that policy-makers will no doubt have to take into account when assessing current youth policies and appraising new options. Five are especially important to consider:

i) Whether youth should have a high priority among the competing claims for scarce public resources and a place in the labour market;

ii) What the views of young people are regarding adulthood and work;

iii) The merits of policies that rely on market forces for easing the youth unemployment problem relative to those administered by government;

iv) The need for flexibility in policies in case the target of today's youth unemployment problem is actually a moving target of persons born between the late 1950s and mid-1960s; and

v) The balance between universal and selective strategies.

I. SHOULD YOUTH HAVE PRIORITY?

The socio-economic problem and human tragedy of youth unemployment is

not only intrinsic to itself but a product also of high levels of unemployment in general. Indeed, many would argue that the employment needs of, say, a supporting parent of two children in her or his mid-30s are greater than those of a 17 year-old. In this context, the youth unemployment problem becomes one of priorities and trade-offs. The mix of structural measures to benefit youth versus those for other segments of the unemployed population (or the decision to do nothing for youth) is a decision based on the priority given youth relative to other groups.

These trade-offs occur in two ways. First, in the absence of an increase in total employment, job opportunities specifically offered to youth or designed to favour youth are opportunities denied other groups. A youth sub-minimum wage, for example, is likely to trade jobless youths for jobless adults. Schemes to favour inexperienced youths may fall especially heavily on women. Similar trade-offs occur within the youth population. If programmes are aimed at specific groups or ages among the young unemployed, they may result simply in reshuffling unemployment within the youth age group itself. These effects create difficult public policy problems about which groups should get priority as a matter of government design rather than as a result of the working of the market. It might be argued that policies favouring young people or particular groups of young would, in fact, contribute to a net increase in employment opportunities. But even then, displacement is likely even if it is not one-for-one. Second, and this is especially important when weighing the effect of programmes which remove youth from the labour force (e.g. for training), insofar as governments maintain rough overall limits on expenditure, money spent on these programmes is money that will have to be saved on alternative areas (e.g. public works) -- and these would virtually certainly also have indirect employment effects. There is thus always an opportunity cost to youth programmes in terms of employment opportunities lost elsewhere.

Governments are reluctant to face these trade-offs. First, they presuppose a measure of high unemployment in the medium term. Second, they recognise a divergence between the means and objectives of longer-term economic policies for increasing employment, and short- and medium-term social policies for alleviating the hardship of unemployment. Finally, governments' acknowledging the trade-offs can result in more of the unemployed blaming their unemployment on the States (and specifically on its programmes of employment preference) rather than seeing their own unemployment as the chance result of general economic recession. Nevertheless, these trade-offs are central to the policy problem and advice to government cannot ignore them. They have received insufficient prominence in public discussion and this may have resulted in some ill-advised programmes.

In determining the priority that should be given to youth, the question of youth policy should be dissected into its various elements -- both subjective and objective. The more important of these are:

a) Special Responsibility for Youth

It is clear from the statements of political leaders, newspaper editorials and other public pronouncements, that even if the effects of youth unemployment were not grave, there is public feeling of special responsibility towards young people, and in particular teenage youth (even though in some

countries the 20-24 age group is beginning to bear the major brunt). This is an extension of the family's responsibility for children and of society's provision of free education to this age group. This apparent societal response may be seen as irrational but has to be taken into account in any assessment of priorities.

b) Fear of Social Disruption

One major factor in concentrating attention on youth is the feared effects of unemployment on social attitudes and behaviour -- both in the short term and the long term. Many expressions of this concern can be found, e.g. in an Australian survey:

> "When certain groups of young people consistently experience prolonged periods of unemployment there is a risk that they will become frustrated and angry about their situation and the society that failed to fulfil its promise to them. This frustration can result in anti-social behaviour -- vandalism, drug and alcohol use, violent crime. The effects these actions may have on the attitudes and values of the young people concerned can be such as to make effective remedies a great deal more difficult to find, even when the young people reach adulthood." (18)

Fear of social violence in the short term is poor motivation for the development of constructive public policy. But a more generalised concern with taking steps to give young people some reasonable hopes and expectations, as a way of heading off rejection of social and cultural values, is positive. It is not yet clear how serious disaffection or marginalisation is. In a recent CERI study on the views of youth (19), the balance of evidence suggests that youth are "committed to the family" and "tend to view their country positively and most seem willing to contain their dissatisfactions within legal boundaries". There may be a small proportion who do not share these views but it is not at all clear whether these are also the youth who have been failed either by the education or the employment system, or whether this group is any larger than it has been in the past. Complaints by elders about the attitudes of the young are one of the hardy perennials of civilisation. Furthermore, it might well be argued that change and revitalisation in society depend in part on the dissatisfaction of the young with existing institutions. A totally contented youth population might tend to produce a stagnant society. But even if the values and aspirations of young people are consistent with those of adults, alienation is a distinct possibility, if factors such as widespread and long-term unemployment frustrate their hopes.

Regardless of the empirical basis of fears of apathy and disaffection -- and it is too early to reach a conclusion on these matters and perhaps too dangerous to hazard one -- the societal concerns are certainly there. From a public policy viewpoint, they are important because on the one hand the provision of employment (e.g. in "dead-end" jobs -- see below) may not be sufficient to reduce youth hostility and, on the other, even in the absence of employment, measures might be taken to integrate youth more fully into the mainstream of social life.

c) Loss of Human Social Capital

A Sunday Times (5th August 1982) editorial captured the flavour of the discussion on the waste of human capital involved in youth unemployment:

> "We have invested untold billions in an attempt to develop what should be our most precious resource, the brains, skills, ambitions and determinations of our young people. Now in an act of unthinking nihilism we seem set on letting the whole enterprise, or at least a very substantial part of it, go to waste."

The implication of this discussion is not only that the current skills and abilities of young people are going to waste (for in that case the waste involved in the unemployment of older and more skilled workers would surely be greater) but that there will be a lasting and long-term effect on the productivity of unemployed youth as they grow older. As in the case of social effects, the empirical basis for this claim that the long-term productivity effects of youth unemployment are sufficiently large to warrant giving priority to youth in dealing with unemployment, is open to question. To the extent that it is true it again raises the question of whether the provision of employment of whatever nature is a sufficient response, and if employment cannot be provided what other measures might be taken. The most important point to make with regard to the relative priority given youth is that of all the segments of the labour force competing for attention at the present, young people -- and the impact of any policy responses -- will be around the longest. In other words, the time horizon, for capturing the benefits of interventions today, or suffering the consequences for inaction, is much longer than for any other group in the labour force.

II. WHAT DO YOUNG PEOPLE EXPECT FROM ADULTHOOD AND WORK?

Enforced and prolonged idleness of young people not only may have profound effects on their future employability and earning potential but may also change their perceptions and aspirations regarding adulthood, work and education. In order to design appropriate policy responses it would be crucial to identify such changes if they really exist. Most public perception would indicate that today's young people think and act differently from their parents. But there is a danger of attaching too much importance to apparent differences. Friction between generations is part of the human condition. Young people grow into adulthood and, in a process of growth and acculturation, exert pressure for social and cultural changes; but a surprising amount of culture and tradition remains intact from generation to generation. The question for the 1980s is whether the jolting changes in youth labour markets have produced drastic changes in the way young people view work and in what they expect from adulthood and working life.

Recent work by the Centre for Educational Research and Innovation examining the views and aspirations of young people indicate that today's youth are remarkably traditional in their hopes and expectations for adulthood. In a 1978 World Survey (19), 18-24 year-old youth indicated that their main goal in life was to achieve a satisfactory family life, and to gain some economic and social success. German, Austrian, Swedish and American

youth in particular placed a premium on strong and harmonious family ties. Not too surprisingly, and not too untypically, considering adult behaviour, young people do not attach much importance to political activity or institutions. They manifest instead a high commitment to peers and self-centred activities. If they are not rejecting their country's political and social institutions en masse, they are certainly not inspired by them. After signs of profound disillusion among youths (students especially) during the 1960s and early 1970s, the politics of young people -- and their activism on behalf of their views -- has become much more moderate.

With regard to their attitudes towards work, there is no evidence to indicate that young people are losing interest in employment. Labour force participation rates for young people have remained remarkably steady overall, and where they have dropped for particular age groups, there has been a corresponding increase in educational enrolment.

Young people's attitudes towards work bear out what the statistics imply. Most view work as a normal and necessary part of adulthood. For one Belgian youth it is necessary as part of one's role in society: "To have a job is an imperative in life. No society not based on work can survive. Furthermore, you must have a job not only for financial reasons but also in order to communicate with other people and to play a role in society." (19, p. 26). For an Australian 16-year-old, it is a source of dignity: "There's practically no jobs in this town, only seasonal work at the abattoirs. I'll try for a job there. If I don't get one I'll have to keep going West. I'll get a job somehow. No, I won't go on the dole, no matter what happens." (19, p. 26)

Young people place a premium on occupational success and job satisfaction. A survey of Australian youth backs up the anecdotal evidence. It found that two-thirds to 70 per cent of the interviewed youths said they would work even if they did not have to. There was no evidence that unemployed workers took advantage of the system; many did not claim benefits due to them, and the availability of unemployment benefits did not discourage people from work. The survey concluded:

> Although the work ethic meant slightly different things to different people its influence was strong. All young people wanted a job badly and work was the activity that students expected to take part in when they left school. One of the main reasons young people put forward for having to have a job was that work provided people with the money to do other things. Nevertheless those in jobs reported that the aspects of their job that were most important to their job satisfaction were social factors and interpersonal relationships. Employers' perceptions of what contributed to young people's job satisfaction were not very different to their own (18).

Available surveys of youth attitudes also raise questions about the claim that youth labour market turnover is voluntary and reflects restlessness and a pattern of "shopping around". It seems that most young people are no less ready than their more "steady" and "reliable" elders to accept and even be reasonably satisfied with whatever job opportunities they do get. The 1978 Youth World Survey shows that in all except two countries, 80-90 per cent of the young people interviewed expressed positive opinions about their jobs. In Japan and France, a somewhat smaller majority liked their current jobs.

Turnover data on the interviewees supports them in their views. About half of the youth in the United Kingdom, Germany, France, Switzerland, Sweden and Australia had never changed their job. Seventy-one per cent of the Japanese youths had remained in their original job, notwithstanding their higher levels of expressed dissatisfaction. Only the young Americans showed above-average levels of job turnover. Not only do young people have strong feelings for work, they have very definite aspirations about the kind of job they want. They consider a good job to be one that is interesting, secure, well paying and, perhaps most of all, allows for the development of individual skills and abilities.

Over the last decade, a period marked by dwindling job opportunities, it does not appear that young people have become more openly defiant or critical of the employment available: rather the opposite. In the repeated survey of American college youth between 1970 and 1973, the proportion of youths which expressed interest in jobs that offered things such as "ability to express oneself", "challenge of the job" or "chances to get ahead" increased only slightly. But the proportion interested in basic economic security and earning potential increased by nearly two-thirds. Later surveys in Denmark and Germany revealed similar growing interest among youths in the simple economics of a job (19, p. 30).

In light of the strong evidence that young people want to work, and value work as an integral part of life, the crucial question for policy-makers and society in OECD countries with high rates of youth joblessness is what happens when large numbers of youths cannot find work, and lose hope of ever finding work. The answer is largely speculative. At one extreme, if young people are indeed "innocent victims of a failed economic system that apparently could offer them neither work nor a role ..." one observer argues that "the new generation may come to reject violently a society that has turned its back upon them" (20). But even if that is an especially pessimistic view of the consequences of youth unemployment, there are good grounds to believe that youth unemployment imposes high costs in lost productive capacity and is bound to increase alienation from cultural values that are inextricably bound up in the social and economic system of OECD countries. These likely long-term consequences seem to require that the views of young people be given a great deal of consideration.

III. MARKET ADJUSTMENTS VERSUS GOVERNMENT-MANAGED INTERVENTION

Youth unemployment is a crisis that OECD countries share now and it can have consequences which they may have to share in the future. Yet, this does not imply that all governments want, or can or should play, the same role in devising and implementing solutions. There is interdependence among many Member countries in their management of macro-economic policies to engineer a recovery and to return to a steady, non-inflationary path that will contribute to a better climate for employment growth in the future. The importance of that macro-economic component in relieving part of the current youth unemployment crisis cannot be overstated. But the seriousness of the present situation requires more than the promise of a return to generally healthy macro-economic conditions. It also needs targeted interventions: temporary ones to relieve the immediate crisis of large numbers of jobless youth, and

more permanent compensatory interventions for easing the problem of structural unemployment. These measures depend on fashioning programmatic responses delivered through existing or new institutional resources. These in turn vary from country to country, depending on the particulars of their own situation and particulars of the institutional capacity they have already in place.

But one overarching consideration in formulating policies is the desired balance between measures that rely on market forces for reaching equilibrium ("market interventions") and those that rely totally on government-managed ones ("managed interventions"). Interventions relying on market adjustment would include, as examples, measures that change the real or relative wages of young people, or the real or relative cost to employers or young people of training. The results of these interventions depend on various elasticities, rigidities that prevent adjustment, and the time lag for the affected parties to find out about policy changes and act on the changes. Costs and the allocation of costs hinge on the precise nature of interventions and the extent to which the interventions are policed. Managed interventions might include job creation or training schemes offered directly by central or regional governments.

There are three important factors to consider in evaluating differences between market and managed interventions: allocation of costs, the speed of implementation and target efficiency. An increasingly important constraint on designing and implementing youth labour market policies -- be they "market" or managed interventions -- also has to be taken into account: the emergence of the "underground economy" which may undercut the objectives of any intervention. While none of these factors apply only to youth interventions, they may be useful criteria to use in evaluating the impacts of various options on the young population.

a) Allocation of Costs

In the absence of changes in public policies, both direct and undirect costs of youth unemployment fall principally on those young people who are without jobs. The first question for policy-makers to answer, therefore, is whether they alone should bear the cost of the failure of national economies to generate jobs for them. If the answer is no, the next question is who else should bear the costs of such unemployment and measures for relieving it, and how they should be spread.

Who pays the costs of interventions favouring young people is one consideration in the choice between market and managed interventions. Market interventions put the burden predominantly on youth or other workers. A sub-minimum wage for young people, for instance, puts the costs of any increased employment brought about by a reduction in relative wages on young people working below the adult minimum wage. To the extent employers hire the young as substitutes for older workers, a sub-minimum wage for youths imposes costs on older workers in the forms of downward pressure on wages above the sub-minimum and, ultimately, displacement of older workers. Interventions that either force employers to adopt job-sharing schemes between adults and young people, or change marginal non-wage labour costs enough to encourage more job sharing, shift the burden of costs to other employed workers. Interventions requiring or encouraging employers to hire more unemployed youths, increase costs that may eventually be passed on to consumers. Tax

forgiveness schemes designed to encourage hiring by reducing marginal labour costs imposed by payroll taxes, place the burden on government and ultimately the taxpayer. In contrast, managed interventions such as job creation and training schemes put the cost burden directly on the taxpayer.

The choice among the various approaches and their allocation of costs hinges most importantly on the trade-offs entailed in putting the burden on young workers, all workers, consumers, or taxpayers. In virtually all OECD countries, taxpayers bear most of the burden of the enormous costs of educating young persons and preparing them for work. The question now may be, if young people are too expensive to hire, how should the cost of pricing them into the market be allocated?

The choice is constrained by fiscal and political realities. Currently there are strong pressures to restrain government spending, not only to protect taxpayers, but to protect investors. Public deficits are at post-war record levels. It is argued that the public borrowing necessitated by such high deficits is crowding out private investment and possibly threatening the recovery from the current economic slump. Putting the cost burden on government, then, inevitably invites political debate to determine what public expenditure will be sacrificed. The alternative of allocating costs among workers, firms, consumers and young people themselves also requires balancing the allocation of costs. In either case, the interests of young people are likely to be vulnerable.

b) Implementation Time

The choice between market and managed interventions depends also on two other variables: the speed of implementation and target efficiency. Market interventions as a rule can be put in place faster than those managed by governments because they are legislated or regulated into force. Once enacted, the time required for them to become effective is a matter of the reactive behaviour of economic agents. Time is required for knowledge of market interventions to pass through the labour market, and to become a factor in labour market decisions. Even once an intervention is known and understood, implementation depends on the responsiveness of the market. The response to a sub-minimum wage for youth or a measure otherwise reducing the marginal costs for hiring young workers, for example, will depend on price elasticities of demand and elasticity of substitution of youths for older workers. These in turn can be affected by rigidities such as the presence of skill requirements out of the reach of unemployed youths, or collective bargaining agreements that might, for example, require an employer to recall workers on lay-off before hiring new (lower priced) young people. In any event, elasticities may be low in a period of slow employment growth, increasing only when hiring picks up. Consequently, the responsiveness to market interventions both in terms of size and speed could also depend on overall market conditions.

Government-managed interventions are likely to take more time to be put into place. They may require creating or enhancing a delivery infrastructure and planning; but once established, they can take effect relatively quickly, needing only the clients to enroll. Marginal expansion of existing measures can take place faster by virtue of building on what is already there.

c) Targeting

Targeting is a product of cost considerations and programmatic factors. The increasing macro-economic pressure on social spending has constrained social policy-makers to restrict what might otherwise be universal services, in the name of economy. Targeting provides a rationale for doing it: restricting services to those persons or areas most in need. But there is a programmatic rationale too. To the extent programmes are intended to be redistributive, they are attempting to overcome differentials or distortions and various rigidities, which might be broadly defined as market failures. This means they must be targeted to create differential effects.

How targets are specified depends ultimately on how problems are defined. Labour market interventions have typically been targeted in terms of population groups or geographical areas. The former are defined in terms of age or sex (youth or females, for example), in terms of problems correlated with these breakdowns, or in terms of criteria that describe particular relevant conditions: employment status, educational attainment, and so forth. The latter may be defined in terms of economic conditions such as unemployment or relative concentrations of unemployment, or the nature of local conditions.

In the context of this discussion, the larger question, with respect to targeting is one of the relative merits of market interventions versus managed interventions. Measures intended to help the competitive position of youth in general are probably best handled through market interventions. But to the extent interventions are intended to target on particular groups, they are probably better handled as managed interventions. Market interventions lose their effectivness as the conditions under which they apply are restricted. In contrast, government-managed interventions have more latitude in determining how selective they will be; moreover, there is room for much more discretion in the allocation of services and benefits over and above providing a job.

d) An Emerging Constraint

In deciding on an appropriate balance between interventions that depend directly on market adjustments and those that depend on direct provision of services, it is important to acknowledge the presence of another market adjustment mechanism that is growing in importance: the "underground economy". Although social scientists and policy makers are struggling to find systematic ways to describe, measure and, in some countries, control it, there is consensus that it is large, growing, and exerting some force on the regular economy. It needs to be taken into account, therefore, in evaluating alternative policies for youth or, indeed, for employment generally.

Underground economies are mechanisms for responding to rigidities created in regular economies. They provide a means for bypassing everything, from the expense of safe toxic waste disposal to legal prohibitions on narcotics traffic, and taxes on income. There are presumably fewer barriers to employment in the underground economy. Fitness for work seems to be based more on demonstrated performance than credentials, and persons who are otherwise discriminated against in the regular economy find better opportunities in the underground one. Generally, economies of this nature are

operating "underground" because their costs to society are viewed as high. For the tax collector, they represent lost taxable income and wealth. For environmentalists, they mean unmonitored pollution; for trade unions they can mean displacement by workers not governed by standards and collective agreements; for society at large they can mean spillovers in criminal activity. But negative externalities notwithstanding, underground economies are thriving and certainly are becoming less identifiable as criminal.

Of more importance to policy-makers dealing with youth unemployment is the fact that underground economies offer employment opportunities to young people.

One question, then, is whether, on balance, underground economies are a positive or negative influence, and whether policies should try to control them -- perhaps driving jobs into the legitimate economy -- or help them. The presence of underground economies dictates at least two other lines of action as well. One is to find out more about them, particularly the rigidities affecting youth employment for which they provide an adjustment mechanism. The second line of action is to evaluate youth policies and options to see whether they are likely to reinforce or cancel out underground economy adjustment mechanisms.

IV. THE CHALLENGE OF A MOVING TARGET

Whatever measures are adopted to ameliorate youth unemployment, policy-makers need to take care that in acting now they are not setting the stage for more serious problems in the future. There is a real danger of this happening, to the extent that the problem today is due to too many youths facing too few jobs. To the extent that overcrowding in the labour market is a problem that economic growth alone will not solve, solutions need to treat the problem, not as one of unemployment for young people, per se, but as a problem for a high-risk generation, a cohort of labour force participants born between the late 1950s and the 1960s. In that sense the problem is one of a "moving target". The target population is one that is presently under 25. Most of it can be reached through educational institutions, vocational training and vocational preparation institutions, labour market intermediaries geared to facilitating the early labour market experience of new workers, and apprenticeship and other on-the-job training schemes for young entry-level workers. But already there are signs that young workers in their early 20s are having trouble getting established in the labour market. Their situation promises to be complicated by the fact that they are moving beyond reach of many institutional arrangements usually concerned with insertion of inexperienced workers into the labour market. By the end of the decade, the problem will be one of prime-age workers. By virtue of the competition stemming from the sheer magnitude of their numbers, some of those workers are likely still to be trying to establish themselves in careers and occupations. Those who have not been able to gain sufficient technical skills and continuous work experience are likely still to need the help of specialised labour market interventions (but without the benefit of the education and training institutions typically associated with young people). Those prime-age adults at the end of the hiring queue vying for low-skilled and entry-level jobs may also find themselves in competition with those who are under 25.

The phenomenon of a "moving target" problem forces policy-makers when evaluating options:

i) To be cautious in adopting policies that favour one age group over another;

ii) To pursue more vigorously policies that will facilitate recurrent education and training.

a) Aged-based Differentials

The central danger in mechanisms that are designed to overcome the disadvantage that young people face, relative to adults in the labour market, is that as today's young people grow older the very measures that were enacted to help them may subsequently hurt them. Measures such as youth wage scales fixed below adult wages, or training subsidies paid to employers who hire young people, in theory help make young people more competitive by offsetting the extra costs that employers believe they incur in hiring youth. The differentials are intended essentially to make employers indifferent to hiring youths or adults. But the assumption underlying these strategies is that the employers see the choice as being one between youths and adults who are more experienced and better qualified. A youth wage also, presumably, establishes a wage floor for youths that is closer to the true equilibrium wage level found during periods of relative excess supply (as with a large cohort in a segmented labour market).

But in countries where legal and collectively agreed minima are high relative to average wages, and where there are appreciable differences in the cohort shares of the working population, a youth wage could conceivably create rigidities that would penalise today's young people as they grow older. If, by the end of the decade, many of them still lack firm attachment to jobs and careers, employers may see little reason to prefer those prime-age adults (as they will be then) to young people. A sub-minimum making those younger workers cheaper will only penalise the prime-age workers more. Evidence on the effects of minimum wages on youth employment does indeed indicate that youth wages contribute to displacement of adult workers by young workers. Moreover, all of the evidence is based on data gathered during periods when young workers were rising as a proportion of the total working population. It is not unreasonable to speculate that in a time when young people represent a smaller proportion of the labour force, and a sizeable proportion of the prime-age working population has tenuous labour force attachment, substitution of youths for adults could only be greater.

b) The Need for Recurrent Education

What may be more certain than the relative competitive standing of different sub-groups in the labour force is the need for recurrent education and training. In an economic climate characterised by structural changes, a one-time investment in education and training is becoming as obsolete as a lifetime position. If indeed some young people today face the prospect of a protracted period of absorption into the labour market, there will be an even greater need for recurrent education and training. But young adults simply do not enjoy the same access as teenagers to traditional education and training

arrangements. Even when facilities are available, the direct costs of attending and the opportunity costs of foregoing wages from even marginal jobs may be prohibitive. While recurrent education and training may be essential to refresh what young adults have already learned and as a substitute for training they might otherwise have received on the job, extraordinary measures may be necessary to provide it.

In evaluating the need for recurrent education and training, policy-makers should remember that it is already a reality for persons working in primary labour market jobs. Employers provide training in house, and the release time and subsidies for extra-mural training. Many OECD countries have tax provisions encouraging individuals -- with sufficient private resources -- to support their own education and training. Moreover, much of the impetus for interest in recurrent education and training stems from the spectre of highly skilled employees being displaced from jobs in declining industries. Many prospective provisions also are geared to workers who, until recently, were in relatively secure primary labour market jobs. These are workers who have demonstrated work histories and have proven themselves trainable. As such, existing recurrent education and training appears to benefit those who are already established in jobs or careers. Design and management of further government interventions to encourage and support further recurrent development should proceed with this in mind. Depending on how they are designed and managed, recurrent education and training programmes can widen the differentials in attainment and subsequent earning levels, or narrow them. Where policies regarding public support for recurrent education and training are adopted, steps should be taken to assure that individual need is taken into account, and that persons with long histories of unemployment and underemployment be given high priority, and that the needed enrichment and supportive services are made available. A central part of provisions for recurrent education in some countries may need to be measures to assess existing institutional capacity to provide recurrent education and the necessary adjunct services, and measures to augment existing capacity where necessary. To do otherwise could mean that recurrent education and training -- like much post-compulsory education -- could become a tool for aggravating and reinforcing social inequality by staying out of reach of those who need it most.

V. UNIVERSAL VERSUS SELECTIVE INTERVENTION

Targeting, as discussed earlier, is an issue central to the choice between market and government-managed interventions. But it is an important consideration implicit in another decision policy-makers need to evaluate, i.e. the balance between universal and selective interventions. Universal interventions include measures that provide services that are available to all young people, and measures that apply laws and regulations that affect them. Selective interventions are targeted to particular groups.

The balance between universal and selective interventions is a function first of the causes of youth unemployment, and the need for general, distributive remedies versus the need for more selective redistributive remedies.

Distributive policies are appropriate for dealing with the causes of youth joblessness that affect young people across the board. Macro-economic policies for increasing aggregate demand can be seen as distributive policies in the broadest sense. At a micro-economic level, elementary compulsory education that is universal in OECD countries, and apprenticeship programmes so widely available in Germany, Austria and Switzerland, are typical of policies serving distributive objectives: they are geared to benefit the entire population of young people, or large portions of it, irrespective of need. To the extent that the current youth jobless situation is a product of inadequate aggregate demand for youth in the labour market, policies with distributive objectives make sense. Policies serving distributive objectives also make sense as a way of dealing with the structural dislocations caused by changing technology and patterns of international trade; these dislocations fall (potentially) on all workers. A consequence of them is that they will limit overall economic growth of individual countries. Distributive policies can improve overall prospects.

But policies serving distributive objectives alone are not enough, because they do nothing to correct existing inequalities in the labour market. More to the point, they do nothing for the concentrations of hardship that were the dominant characteristic of youth unemployment through the latter 1970s.

Redistributive remedies are essentially compensatory policies for levelling up opportunities for education, training, employment, advancement and earnings. As such, these policies serve the purpose of providing catch-up services to youths who because they live in the wrong area, are too poor, or are of a different colour, have missed out on education and training opportunities or had access only to inferior ones. Redistributive policies also can offer to employers incentives in the form of reduced wage costs or wage or training subsidies to reduce the net costs of hiring certain groups relative to others, in order to offset the real or perceived costs of hiring them.

A related factor to consider in choosing between universal and selective interventions is the balance between preventive strategies for reducing the likelihood of unemployment, and remedial strategies for relieving the hardship of unemployment and increasing the likelihood that unemployed youths will find jobs. Preventive strategies require an understanding of the causes of youth unemployment, and knowing how to intervene to address those causes. Labour market information and career counselling, for example, are preventive strategies that are available increasingly in OECD countries. They are designed to reduce the unemployment caused by inefficient and ineffective job search strategies, and by young people undertaking the wrong kind of preparation for work. General education, where it takes into account the broad competences and skill requirements of the labour market, can similarly be seen as a preventive strategy.

Preventive strategies, by definition, target on a broader group than remedial strategies: they aim at a population that is in some risk of suffering unemployment. But some preventive strategies are not necessarily universal and can in fact be targeted, and made more efficient if those young people who are statistically "high-risk" can be identified. This requires then, not only an understanding of how to mitigate causes of unemployment, but

also an understanding of what factors and characteristics distinguish "high-risk" youths from "low-risk" ones.

Remedial strategies are likely to be more selective, serving a narrower population: instead of aiming for all youths running a risk of being unemployed, they aim for those youths who actually are unemployed. Remedial strategies can take the form of income transfer programmes -- unemployment insurance, for example -- to relieve the immediate economic hardship of unemployment. Alternatively, they can take the form of short-term interventions intended to increase the chances of an unemployed youth for finding work.

The importance of macro-economic factors and the likely importance of structural change as causes of youth unemployment argue in favour of universal or near-universal policies. Such broad-based strategies are needed to reduce the likelihood of unemployment.

But youth unemployment first attracted attention as a structural problem affecting a hard core of early school leavers, migrants and racial minorities, others who are educationally or socio-economically disadvantaged, and girls and young women. That problem persists, even if it has been overshadowed by the magnitude of more general unemployment. It continues to call for more selective interventions. Selective interventions make sense for offsetting the disadvantages these youths suffer relative to other youths -- in their preparation for work, their knowledge of the operation of labour markets, and their access to good jobs. The desired balance between distributive and redistributive objectives, and between preventive and remedial objectives should determine, in large part, the balance between universal or widespread strategies, and selective strategies.

Chapter 4

POLICY OPTIONS

What countries do in response to the youth unemployment problem will be guided by the nature and magnitude of the problem in each country, the effectiveness of existing measures, and the improvements promised by new options. But in a world of many competing claims for scarce public resources, there should be no illusions about the fact that the first question facing policy-makers is whether the problems of young people command priority attention. The discussion in the preceding chapter was intended to enlarge upon earlier work by the Secretariat that may help inform decisions regarding priorities. The following discussion presents options for addressing the different facets of the youth unemployment problem and its causes consistent with the overall criteria presented in the previous chapter.

Any discussion of policy options has to be responsive to certain requirements. As a precondition, it must acknowledge the importance of macro-policy orientations such as those affecting levels of aggregate demand or labour supply behaviour since youth unemployment as a quantitative problem is predominantly conditioned by such factors.

Ultimately, the level of youth unemployment and other problems of youth that this precipitates is a reflection of general economic conditions. Indeed, in those countries with massively high levels of unemployment, it is necessary to recognise at the outset that what youth policies can achieve is limited. Youth cannot be insulated from economic crisis facing a whole society -- and even the measures which cushion the worst effects will be limited.

Over the last few years most OECD countries have adopted a strategy of putting the fight against inflation at the top of their priorities for macro-economic policy (on the grounds that this is the only route to long-term reductions in unemployment). More recently, as inflation has abated, there has been wider support for policies to spur economic growth and increase aggregate employment. These policies are essential for the improvement in the general economic climate that is a prerequisite for improved prospects for young people. But as the experience and expectations regarding the current recovery indicate, improved general economic conditions alone are not enough to deal with the youth unemployment problem in the OECD area. Any discussion of options also needs to consider how macro-policies might be complemented with more selective and targeted measures aimed at the particular problems of young persons trying to enter the labour market. These are discussed more

fully below. The important point to be made here is that there should be complementarity and balance between macro-economic and other measures. These programmes should be closely monitored so as to assure the occupational preparation for new skills emerging during the recovery process.

This is essential since youth unemployment has become, and is likely to continue to become, more and more of a structural problem which -- in the absence of micro-interventions -- would not disappear even under more favourable growth or demographic conditions. These policies, while geared mostly to labour market activities and immediate preparation for work, must also recognise that in the next few years there simply will not be enough jobs to go around in some countries and that the alternatives to employment in the near term should be constructive and geared to improving job preparedness in the medium and long term.

A final requirement is that the policy options to be considered should be sufficiently concrete to be of practical value for policy-makers and, at the same time, be sufficiently detached from a strictly national or institutional context to be of use for more than one OECD country.

I. MEASURES TO EASE THE RELATIVE DISADVANTAGES FACED BY ALL YOUTH

To the extent that changes in general economic policy can reduce total unemployment, young people will benefit. But improving economic conditions alone may not create enough jobs in the medium term for all youth who need them. Many youths might not be able to meet the requirements of the jobs that do become available, because of mismatches between their own competences and the skills required. In some cases young people may also find themselves being "overpriced", costing too much to employers because of legal or collectively determined minimum wages that are high relative to their productivity. These are problems that face all youth, or large classes of them, and they invite a range of measures which fall into three categories:

-- Policies geared to better preparing young people for the general needs of working life;

-- Those geared to improving occupation-specific training;

-- Those for increasing the number of jobs available to young people.

How appropriate each of the options may be will depend on the precise nature of the problem, the nature of existing national policies and institutional arrangements and, perhaps most importantly, whether the population to be served is under 20, or between 20 and 24.

In developing policies for preparing youth for working life and providing skill training, every effort should be made to accommodate fundamental structural changes in labour market skill requirements. There are grounds for belief that during the previous period of prolonged labour market slack and modest growth major structural shifts have occurred in the production of goods and services mainly resulting from new technologies, changing trade patterns and changing consumer tastes. The full implications

of these changes for the labour market will only become apparent when the recovery gets underway. This may lead to serious problems of mismatch between supply and demand. But the change may also create new job opportunities for young people provided they have educational competences and occupational skills that give them flexibility in adapting to the new demands. Public policy should assist them in taking advantage of these opportunities by appropriate training, placement and mobility programmes.

a) Preparation for Working Life

Education and basic, non-job-specific vocational training can be used as tools for reducing youth unemployment in two ways. In the long term they can substantially improve the qualifications of young people entering the labour market. In the short and medium term, they can serve as alternatives to labour force participation, deferring the time at which young people begin to seek work actively. Caution is necessary, though. In using education and basic, non-job-specific training to improve the job readiness of youth, there is a danger of crowding out more basic education objectives. Education and training as a "holding tank" may be a more perilous option, because of the isolation it can create. The two options are presented below.

General preparation of young people for work can be improved as a strategy for reducing youth unemployment in two general ways. One is to encourage schools to provide the alternative pedagogical techniques needed to retain and educate higher-risk youths who fail in -- or are failed by -- traditional instructional approaches. These are discussed later. The other is to pursue policies for augmenting the traditional education curriculum with topics that are geared to provide the young with the information and skills they need to plan their careers, determine what further preparation they need, prepare résumés, and find jobs, and to follow instructions and generally get along on the job. It might even be appropriate to consider policies that would put schools in the position of helping place young people in jobs. However, in pursuing policies that expand the responsibilities of education systems, there is a danger of detracting from the fundamental education responsibilities schools already have.

In evaluating options such as these, policy-makers need therefore to consider how well the more basic (and higher priority) duties are being met. If new responsibilities compete with the old ones, there is too much danger of education institutions being forced to try to accomplish too much and, in the end, losing ground. A related danger in pushing the education process closer to the workplace is that it allows the temptation to judge education systems in terms of inappropriate criteria, such as reduction in unemployment. Since education systems cannot be held responsible for job creation, their impact in helping youth enter the labour market should be judged in terms of how well they qualify young people for work (21).

One of the spontaneous adjustments by young people facing deteriorating youth labour markets (adjustments that have been encouraged or dictated, no doubt, by some parents) is voluntary withdrawal from the labour market (or delayed entry) in favour of additional schooling. This has been especially true for teenagers. Treating education and training as a policy tool for limiting or controlling the entry of young people into the labour market is an option that has been tried in some countries and merits wider consideration.

Sweden, France and the Netherlands have all added a voluntary year to nine years of compulsory education for youths who do not go on to higher education and are not working.

In a report on three countries' approach to youth unemployment, the OECD reported that "the dual system (of vocational education and apprenticeship) has been used in Germany both as a means of improving the knowledge and skills of the workforce, and as a buffer against teenage unemployment" (15, p. 16.). Germany has also added an optional tenth year of vocational education that is not part of the apprenticeship system, but is under the education system and is intended to provide an extra year of preparation for young people who have not found apprenticeship positions. New Zealand has instituted work exploration schemes in schools for 15-16 year-olds and added similar world-of-work oriented activities for early school leavers who return to school, all in the hope of making extended education more productive with regard to improving job readiness.

The strategy of using education and training for holding people out of the labour market has its dangers. First, unless the content of such education and training is based on actual or anticipated labour market skill requirements, and unless the education and training clearly serve the purpose of better preparing young people for eventual employment, the strategy may be seen as a transparent ploy for postponing the day of reckoning when even qualified youths may fear there will be no jobs waiting. As such, it increases the risk of alienation by offering what may be, to many young people, an unsatisfactory substitute for work. A second related danger is one of raising false expectations through extended education and training. If young people sit out the period of high unemployment in school as in training, they may expect to find jobs commensurate with their higher qualifications. This in turn might lead to another kind of structural mismatch of over-qualified youths entering the labour market. Nevertheless, expectations aside, there continue to be sound arguments in favour of deferring entry into the labour market by education and training opportunities. Despite the fact that the German approach, for example, is far from perfect, German youth unemployment rates are consistently below those from other OECD countries (5). More importantly though, if the much-heralded changes in skills requirements do materialise in a significant way, extended education and training policies might facilitate the process of instituting large-scale programmes for meeting new skill requirements.

Using education and non-job-specific training as a holding tank is a strategy that is clearly most appropriate for younger youths. Under the age of 19 or 20, they are still either enrolled in institutions or have only recently left them. It is a strategy that probably has limited application, however, for young adults. They are well beyond the school leaving age and much further removed -- chronologically and psychologically -- from education institutions. They are also more likely to have had some employment experience (however marginal) as well as some extended periods of joblessness so, in this respect, they are a higher risk as a group, than teenage youth. They will also be harder to keep in training and preparation activities that are remote from the labour market, not geared to job placement, or even to immediate job search activities.

These young adults, too old for attendance in the usual compulsory and secondary school setting, need education, skill development, and even job

search skills, that differ from the normal institutional provisions for teenagers. The most important differences are likely to be in the way they decrease financial disincentives. Where the availability of free facilities is limited, arrangements need to minimise direct costs either through free facilities or allowances. Further, young adults, more likely to be facing greater financial obligations than teenagers, may need the benefits of arrangements that minimise their "opportunity costs" of foregoing work to enrol in education and training. One strategy is to provide allowances to replace foregone earnings. But it would be more economically efficient (by minimising the deadweight of allowances to persons who would not be working), and probably more compatible with adult retraining schemes, to build in flexibility that makes it easier to work and attend training or schooling at the same time. Such flexibility might be accomplished by recurrent education/training schemes or schemes that allow alternance between work and education or training. However, in either the case of teenagers who are beyond compulsory education or young adults, some rediversion of resources also is probably desirable. This might include diverting resources from university education in favour of non-university education facilities to improve the education and general skill development offerings for those not going on to the higher level.

b) Improving Occupation-specific Skill Training

Enterprise-based and institution-based skill training have been staples of manpower development policies for coping with structural mismatches between the skill competences of potential workers, and the skill requirements of available jobs. They have proven to be effective strategies for teaching requisite job skills and popular strategies for allocating the costs of such training. But the strategies do not create jobs, and in the high unemployment climate of the last few years they are of limited usefulness to policy-makers as tools for improving the prospects of young people. Employers have been reluctant to establish on-the-job training positions on the one hand, when they are laying off experienced workers on the other. They are also reluctant to support new apprenticeship positions on the same grounds, and unions are wary of swelling their numbers -- and the competition for jobs -- with the consequent entry of new apprentices. Occupation-specific training by institutions does not necessarily suffer as much in terms of the training places available, because the training is not tied to a particular job place. But it certainly suffers from lack of jobs in which to place trainees, and as jobs stay vacant for extended periods, institution-based training can suffer, too, from a lack of relevance if the technology associated with those vacancies is upgraded or otherwise changed.

When jobs are not available for young people, skill training is a tempting policy option. Opportunity costs are negligible, and if skill requirements are predictable, there is a pay-off. It is also more feasible if enterprise-based training, such as with apprenticeships, can be made available without any obligation for the employer to hire.

But using skill training as an alternative to labour force participation, and relying on skill training as a vehicle for gaining competences usually gained from actual employment, has its risks when it is in opposition to basic market forces. Germany has the most highly developed system of apprenticeships, bridging the gap between school and permanent

employment, for those young people who do not go on to higher education. But with the stress on quantity (the demand to create as many apprenticeship positions as needed for school leavers) there is uneven quality in the training, and much of the training seems unnecessarily long (15, pp. 16-17). The dual system still provides better preparation for work for many young people than a more academic education would. But in extending this approach too far beyond the capacity of the labour market to absorb trainees, there is a danger akin to the danger of extended education, that of raising unrealistic expectations about what kind of jobs will actually be waiting once training is completed.

Nonetheless, the German system has history and tradition on its side. It is the product of years of deliberate and concerted effort to guarantee the availability of a skilled workforce. The system is an accepted institution. Even if the substance of training may be limited, participation in the apprenticeship system has value as a credible credential for access to jobs when they are available. Moreover, in periods of slack demand, because of the size of the system (the total dual system of vocational education and apprenticeship absorbs about two-thirds of all compulsory school leavers), even marginal adjustments to absorb extra students or external training can have large absolute effects (15).

One of the enduring strengths of apprenticeship training in Germany and elsewhere is the on-the-job nature of much of the training and, consequently, its relevance to employer skill requirements. Both the United Kingdom and France have tried to capitalise on the advantages of enterprise-based training by launching training programmes for school leavers, combining classroom instruction with job-based instruction. The programmes have involved subsidies to encourage employers to provide training opportunities and allowances for participants. While the French initiative is new, the British programme is building on an earlier training and work experience programme, strengthening the training arrangements. Though neither scheme has been operating long enough to provide a basis for evaluating the quality of training or the subsequent employment experience of trainees, both are apparently succeeding in getting employers to create the training positions.

The German system (and others like it in Austria and Switzerland, for example) has a history of responding to distinct market forces. The British and French schemes are being launched in opposition to such forces. In this climate, it will no doubt be harder to establish the schemes as effective training agents and as buffers to defer or qualify entry into the labour market, than if the schemes were launched in better times. Potential difficulties aside, both schemes offer training that is likely to have the approval of employers, and in that sense respond to a "market force" of sorts: the demand by employers for suitably trained workers.

For countries lacking the traditions and infrastructure of comprehensive enterprise and institution-based training systems, there are alternatives, some of which can take advantage of excess productive capacity. Sweden and, increasingly, the United States are encouraging purchase of skill training from companies where skilled workers could be employed when economic activity picks up. Some companies are more than willing to participate as a way of offsetting the fixed costs of idle equipment. But the training is also valuable to them because it takes place on equipment that is more up-to-date than full-time training facilities frequently can afford, and it provides them

an opportunity to evaluate at close hand the competences of trainees as possible new hires.

A large unknown ingredient in any attempts to provide young people with marketable skills is the real and perceived impact of changing skill requirements. If these forces, especially the emergence of new technology, are real and widespread, skill training in emerging skills, if they can be identified, might provide a constructive alternative to labour force participation in the short term, and make substantial contributions to meeting future skill requirements. In any event, broad-based skill training rather than highly specialised training seems preferable. To this end, it would benefit country authorities to undertake further research to evaluate the feasibility of training in "generic skills" that would provide competence in whole clusters of occupations.

In summary, the key to policy options for improving job-related skill training is likely to be the extent to which it is consistent with market forces. Slack labour demand discourages adding apprenticeship training places. But if there indeed prove to be large structural displacements, youth might be the main beneficiaries of such changes with the appropriate skill training. New technologies are likely to require higher levels of skills. If these skills depend heavily on experience and prior skill competences, young potential workers will be at a disadvantage which will be only partially offset by high technology training. But if new technologies require extensive general preparation (in computer-related operations, for example) and competence in skill areas only loosely related to prior technology, young people may be at a distinct advantage. They may be more adaptable by virtue of their general preparation, and more competitive by virtue of the lower wage cost they can demand due to less seniority.

c) Increasing Employment

Aside from measures devoted primarily to improving labour supply and deferring entry into the labour force, there is a need for policy options for increasing the demand for labour. These options work by reallocating existing demand for labour, creating net new demand by reducing marginal labour costs, and creating jobs directly with government funds.

Work sharing is an option that needs to be considered as a policy tool by virtue of the scale of its potential impact. The arithmetic of work sharing makes it an appealing option in terms of its potential employment effects and costs. Given that even in times of high unemployment, the number of full-time workers is large relative to the number of unemployed, it takes only marginal reductions in hours of work for all full-time workers to make available enough work time to absorb large numbers of unemployed. There are, though, a number of variables affecting the arithmetic and limiting the job creation impact of work-sharing schemes. One is the willingness of workers who are employed to trade hours of work (and income) for more leisure time and benefit to unemployed workers. Some market-related rigidities might also stand in the way of a shift to greater part-time employment. These include skill shortages and slack demand for full-time workers in some industries (22). These factors might not be too important, however, in the service industries, least hit by the economic slump, and where job-specific skills are least important, and there is the greatest incidence of part-time

employment (5). Certain other rigidities, more in the nature of institutional and regulatory rigidities, also stand in the way of job sharing. Collective bargaining agreements are a major obstacle to work sharing. Trade unions see work sharing as a threat to full-time employment, and the rights of current full-time members leave little bargaining room for the rights of potential part-time members.

Another barrier is the marginal costs of part-time workers relative to marginal costs of additional hours for full-time workers. Average wage costs are lower now for part-time workers and would probably be no higher for part-time workers in areas where there are few now (since they would be new workers with less seniority). But average non-wage labour costs vary from country to country, and from one collective bargaining agreement to another. When fixed costs like recruitment and hiring, and lay-off costs, and lump-sum variable costs that are proportional to the number of workers and not hours worked or earnings are added, they can increase substantially the costs of adding workers. Obviously, to increase work sharing requires driving down the fixed costs and per capita costs. This could be done by remitting some of the government imposed costs, suspending those dictated in collective agreement, or perhaps subsidising the marginal costs of increases in part-time employment.

A variation on work sharing might be termed "work-trading", where governments relieve employers of some retirement costs by encouraging early retirement in return for firms hiring young people. Belgium and France both have this kind of scheme in effect to encourage hiring young people, while Spain has adopted a scheme targeted to help long-term unemployed. However, evidence on the effectiveness of the scheme in France indicates that it is extremely costly. Moreover, the Australian authorities have found that policies to favour early retirement are not likely to favour young people very much because of the overrepresentation of older workers in declining industries.

Increasing employment by sharing existing jobs is one way to attack the problem of joblessness. But another is to reduce total marginal labour costs (not just the fixed or per capita costs) in order to increase total labour demand. There are different ways of approaching this. One is to introduce a sub-minimum wage for youth or encourage a youth sub-minimum where minima are collectively negotiated; a second is to offer wage subsidies.

The purpose of a sub-minimum wage for youth would be to lower the minimum wage they must be paid sufficiently to make employers indifferent to hiring them or more stable, dependable, and qualified adult workers. What effect a change in minimum wages for youth would have on their employment is not clear. Evidence on the effect of legal wage minima on youth employment, unemployment and labour force participation is sketchy and ambiguous, based on experience in only three countries. The preponderance of the available evidence points in the direction of two conclusions that are significant to policy-makers:

-- A rise in the minimum wage or an increase in its coverage most likely reduces employment. To the extent that youth are more heavily concentrated in lower paying jobs (in which wages would be directly affected by a change in the minimum), the disemployment effects fall most heavily on them;

-- Introduction of a youth sub-minimum is likely to lead to a marginal increase in youth employment (with demand elasticities appreciably less than unity), as well as some substitution of youths for low-wage adults (11).

The size of the employment effects of a youth sub-minimum is likely to hinge directly on the size of the differential, as well as the relationship between the youth minimum and the value of the marginal product of young workers, or, probably more importantly, average wages in general. Because the employment effects also depend on labour supply, the employment impact of a sub-minimum will also depend on where it stands with respect to the average reservation wage of young people. The extent of displacement of older workers will depend on the number of adults in low-paying jobs (at, or near, the minimum wage) and the substitutability of youth for older workers (23). Finally the size of both impacts depends on how much hiring employers do. In a period of slow economic activity it seems unlikely that a marginal reduction in the cost of unskilled workers is likely to generate much employment. Employers who choose to retain workers during lulls will have those workers pick up the slack during early stages of an economic upturn. Employers who have laid off workers will probably try to recall their skilled workers first. In any event, a sub-minimum is likely to have its greatest effects once economic activity increases. Policy-makers in OECD countries that do not now have a youth sub-minimum will have to determine themselves whether it would be likely to have any appreciable effects.

In light of these factors, especially factors regarding the time a sub-minimum is likely to need to take effect as a market consideration, individual countries will also have to weigh carefully the threat a youth sub-minimum might pose to today's youth as they move beyond early adulthood. If a youth differential were to take effect at a time when the number of youths entering the labour force was much lower than now (and dropping) and when many of those who are now 16-24 and unemployed were still trying to get a firm foothold in the labour market, a youth differential could very well create one more structural barrier to employment. Indeed, it is reasonable to anticipate that those who fare the worst in the labour market over the next few years would be ones most likely to be competing for the "typical youth jobs" in the late 1980s, and the ones most readily displaced by a youth sub-minimum.

A second approach is to lower marginal wage costs by employment subsidies. Two that are relevant to increasing youth employment are marginal stock subsidies and targeted recruitment subsidies. In work that the OECD has already done on this subject, it was concluded that marginal stock subsidies are effective in increasing employment during an economic recovery (24). But given the high rates of adult unemployment and low rates of capacity utilisation, it seems unlikely that such subsidies would help youth unemployment much; the subsidies would probably first support the rehiring of workers (older and more experienced) already laid off. Recruitment subsidies could of course be targeted to benefit young workers, in much the same way that in the United States targeted jobs tax credit was intended to encourage employers to hire long-term unemployed and disadvantaged workers. Like a youth sub-minimum wage, this approach would also run the risk of putting today's youths at a competitive disadvantage as they grow older, if they are indeed a "high-risk generation".

These dangers could be reduced by targeting subsidies on all long-term unemployed, or by establishing such subsidies with a definite expiration date; such restrictions, however, would be likely to interfere with the attractiveness of the schemes to employers. Aside from taking time to become effective, such a measure could be expected to cause considerable "churning" -- hiring by employers to collect subsidies, letting go, and hiring more. This is more true of flat-rate subsidies than subsidies that are fixed as a percentage of wage rates. The flat rate subsidies provide the greatest incentive to employers for hiring persons in low-wage, high turnover jobs (24).

Training subsidies and related schemes for reducing some of the non-wage labour costs to employers of hiring youth might also be considered in countries now lacking such schemes. Apprenticeship programmes such as those in Germany, Austria and Switzerland owe much of their popularity to the fact that the cost to employers and the lower productivity of trainees are accounted for in trainee wages or allowances, fixed at a fraction of average wage costs. In effect, then, the trainee is paying employers a training subsidy in the form of foregone wages. In the United States, on-the-job training programmes offer similar subsidies of sorts, though the costs are allocated differently. Under the United States scheme employers typically pay one-half of a trainee's wage while the government pays the other, instead of the trainee paying it in foregone wages. The government also pays employers for some direct training costs.

Public sector job creation is a third vehicle for increasing the demand for young workers. Nearly all OECD countries except Germany and Japan have tried a variety of job creation strategies to compensate for inadequate private sector demand for labour in general, and youth in particular. Most of these schemes provide central government support for government and public service agencies to hire youth to augment the normal workforce or to carry out work on special projects. In Belgium, though, national law requires employers above a certain size to hire long-term unemployed as stagiaires, paying slightly less than prevailing wages. More limited government supported job creation for youth has taken place in the private sector also, with governments paying all or part of young workers' wages for a limited period of time (2).

Although various job creation schemes succeed in putting some young people into paying positions, the real value of these measures is not clear. They provide income transfers; but the training content of the jobs, as well as the social value of their output, are frequently ambiguous. Some have even been criticised as being worse than nothing by paying youths yet not offering an opportunity for learning even basic work habits, let alone a saleable skill (25). They are also hard to start up or expand quickly. Even the most rudimentary work experience programmes require time to design, staff, and supervise. The Summer Youth Program in the United States was subject to criticism throughout its first fifteen years of existence. Moreover, unlike job sharing and wage subsidy schemes, job creation requires government subsidy for the full costs of a created job. The advantage is that it can be highly targeted, but there are limits to its fiscal and practical feasibility at a time when there are tight constraints on time and public resources.

Labour market preparation, skill training and schemes for increasing the demand for youth are all necessary constituents in comprehensive solutions to youth unemployment. But they alone are not sufficient in most OECD

countries until they incorporate features for dealing with two sub-groups of the youth population with special needs: high-risk youth with severe educational and socio-economic disadvantages, and girls and young women. These will benefit from more universal programmes designed to benefit young people in general; but they also require selective policies to offset their particular disadvantages.

II. POLICIES IN FAVOUR OF DISADVANTAGED YOUTH

The group of hard-core, structurally unemployed youth is relatively small, though it is growing in size. The problems of young people in this group are overwhelming. Policy responses to them need to be comprehensive themselves, or be articulated with other areas of intervention so as to be comprehensive when taken together. In fact, most of the OECD countries have in place the essential pieces for comprehensive support programmes. The question for policy-makers is how to make needed improvement and to co-ordinate various services in order to increase employability for the hard-core structurally unemployed youth now, and how to save their younger brothers and sisters from the same problems.

Part of the answer lies in education: making sure youths stay in school, or providing alternatives to those who leave early. Early school years must receive continuing -- or in some countries renewed -- attention. Early school leavers usually make the decision to leave well before they actually do. Schools need to do more to identify at a young age those students most likely to leave early, and then try to influence that decision. The expansion of secondary schooling that had as one of its main aims the transforming of social class inequality, has, at best, failed to reduce such inequality; at worst, it has reinforced and legitimised it. Those who need most from school get least. Many would now agree that the initial failure of the expansion of compulsory schooling lay not so much (or not only) in lack of material resources directed at less advantaged schools and groups as in the extension of the old system of education to new groups such as high-risk youth, without adjusting that system to their needs.

There appears to be emerging some consensus about what needs to be done if schools are not to reinforce low expectations of work-life and sex-role stereotyping: common schooling of children of different socio-economic groups, elimination of early (conscious or unconscious) labelling of children, greater relevance of schooling to the everyday concerns and life experiences of children from all groups, child-centred learning, a new content of teacher training and so forth. However, in a number of OECD countries there has been a cutback or slowed growth in public funding for compulsory education, and cutbacks in funds for higher education, an increase in the segregation of children (sometimes in state and private schools) and/or a reaffirmation of values directly contrary to those described.

Clearly these trends will further reduce the chances of any youth policy assisting the disadvantaged, and any approach to youth policies must stress the futility of pursuing policies to assist 16 year-olds to overcome the damage done to them by government policies in their earlier years. Those disadvantaged youths who are 20 and over are beyond the reach of remedies for

improving compulsory school and post-compulsory school offerings. Their educational deficiencies must be met with more innovative approaches. These might include educational programmes run by traditional schools or labour market intermediaries and suited to meet the particular education and personal needs of high-risk youth. Ideally such approaches would be part of larger schemes to make recurrent education available.

Another part of the solution for improving the labour market prospects of disadvantaged youth lies in compensating for the fact that they do not belong to the job "networks" and lack the contacts provided by relatives and friends which introduce other youngsters into desirable avenues of employment and assist them in their initial difficult months in the job. To deal with this problem would require a considerable investment in vocational assistance and almost a reversal of current priorities in job placement activities -- which would in effect be reverse discrimination. Special placement activity is required both for disadvantaged youth (whether unemployed or in the secondary labour market) so as to place them in career jobs. Special support services are needed once young people are placed in such employment both to assist them in what may be a difficult work and cultural setting -- and to reassure employers who may feel they are taking a chance in hiring them.

Finally, there is a need to tackle discrimination directly. This is an area in which equity and efficiency considerations often point in the same direction. Legislation aimed at preventing discrimination in the work-place is necessary, but alone it has not proved effective in evening up competitive chances for better jobs. Such legislation places the onus for taking enforcement action on the victim, and this is an area where proof is notoriously difficult. More active measures that have been undertaken range from incentives such as the special subsidy paid in Sweden to employers who hire girls into non-traditional occupations, and tax credits given United States employers who hire economically disadvantaged workers, through policies of active search for disadvantaged applicants, to positive discrimination or affirmative action schemes that build in preferences for high-risk youth.

Public sector employers have a special role in this respect and some have, of course, instituted preference schemes based on race and sex. Whether in the private or the public sector, attainable targets should be set and then whatever measures are necessary from the well established armoury of techniques should be selected to achieve them. The extent and impact of possible interventions have been reviewed on a selective basis elsewhere. The basic interventions include work experience and job creation initiatives, and vocational exploration, job search assistance and, increasingly, compensatory education.

Whatever is done for disadvantaged youth, policy-makers are likely to find themselves treading a line between preventive and remedial schemes. The preventive side of youth employability development policies has been much slower to catch on because of the complexity inherent in implementing it. First, prevention, by definition, deals with a larger proportion of young people than remediation. Prevention is aimed at those who, statistically speaking, are higher-risk or more likely to be found at a later age in a high-risk category. But there is some uncertainty as to what the predictors of high risk are. One choice for policy-makers, then, is to be highly selective in deciding who will receive preventive services, relying on

uncertain predictors of risk; the alternative is to be more inclusive and shoulder the burden of a costlier programme. A second complexity with preventive programmes is that, by virtue of the age at which preventive programmes make sense, youths are likely to be in compulsory school. This creates potential for institutional conflict. While labour-market-related remedial programmes are typically operated by employment and training authorities, the preventive programmes typically involve schools. This invites dispute on two grounds. First, it implies in the minds of some educators that schools are responsible for what happens (or fails to happen) to young persons in the labour market. This is a premise that is open to some debate. The second ground for dispute is that if schools are to assume responsibility for the subsequent labour market experience of youth, there is uncertainty over what shape that role should take. Since there is no clear "production function" for preventive strategies, the step of deciding what to do can entail a frustrating exercise in interaction between education and employment and training experts.

III. MEASURES IN FAVOUR OF GIRLS AND YOUNG WOMEN

Girls and young women face barriers that are different from those typically faced by young males in the labour force, and more subtle than those faced by those who are disadvantaged. As indicated in Chapter 2, unemployment and labour force participation rates for girls and young women vary from country to country, as does their employment status relative to males in comparable age groups; but with older women relative pay is the most critical variable to look at in evaluating how well they fare. The heart of the problem facing females in the labour force is their concentration in lower paying jobs. There are two reasons for this. The first, related directly to the experience of girls and young women, is a bias in the cultural, educational and training environment that discourages girls and young women from preparing for male-dominated jobs, and steers them into preparing for traditionally female occupations. There is also a bias in the labour market that keeps females -- even those with the credentials -- out of occupations that are traditionally male dominated.

The policy responses for improving the status and prospects of girls and young women in the labour market require both supply-side and demand-side approaches. On the supply side there is need for changes in the factors influencing the education and career choices of girls and young women. This calls for changes in educational curricula as far back as the early school years that have been reinforcing stereotypes of "women's work" and "men's work", and the future roles of women and men (both inside and outside the labour market). In counselling for girls and young women, too, there is need for change to break up long-established patterns guiding them in the direction of lower educational achievement or academic achievement that has no value in the job market -- in short, preparing them for traditionally female careers. It is specially important that the new counselling and educational preparation aim to guide girls and young women into career areas that are growing now and show further promise of growth. To the extent that women are concentrated in clerical occupations that have been among the first to feel the impact of micro-chip computer technology, there is also need for special measures to

assure that those who are losing jobs are retrained, and that the retraining is in high technology fields with better earning potential.

On the demand side, two kinds of measures need to be considered to reduce employer prejudice against hiring females in non-traditional jobs. First, Member countries should evaluate the extent of "protective legislation", originally enacted to protect women in the labour market. Though well-intended, these laws have often been rendered obsolete by collective bargaining agreements and universal worker safety and protection statutes. The protective legislation for women serves only as a barrier to keep them out of non-traditional occupations and working conditions. On a more affirmative note Member countries should evaluate the need for sanctions against employers who discriminate against females in their hiring, training and promotion policies and practices.

The problems girls and young women face are hard to treat with policies targeted by age, and probably should not be approached that way. Just as unequal treatment of minority youth in the labour force cannot be isolated from the treatment their parents have experienced, the treatment of girls and young women cannot be separated from the larger issue of how females in general fare at work. The problems are not momentary difficulties that can be outgrown. They are symptoms that need comprehensive treatment.

IV. ALTERNATIVES TO UNEMPLOYMENT

The discussion of policy options here presented has focused essentially on ways of reducing youth unemployment or overcoming its effects. This approach rests on the assumption that unemployment in OECD countries is an economic failure that can be corrected or whose effects can be ameliorated. The failure can be seen as a breakdown in establishing a reality for the choices said to be open to young people: to work or not work; to forego present earnings to attend school or training, in anticipation of increased future earnings; to make a trade-off between work and leisure. One of the approaches we have suggested is towards re-establishing work as a genuine alternative, or enriching the usual "alternatives" into which the lack of work forces young people. Another approach is to consider policies that would, in effect, re-create a degree of choice for young people by establishing alternatives to unemployment that include more than education and training.

The need for re-validating choice in the face of certain economic failures is made more compelling by the spectre of widespread personal failure. What is more, youth unemployment in the OECD area is unlikely to disappear in the medium term, even with the most ambitious, innovative, generously endowed policies. In some OECD countries it is so widespread, and is of such a magnitude, that it will take years to place these young people, growing into adulthood, in jobs. Even if increasing numbers extend schooling or enter sustained programmes of training to postpone entry in the labour market, and even if schemes we have mentioned earlier are adopted, there will still be unacceptably large numbers of jobless youth. Against this background, authorities in many OECD countries need to frame their youth policies not as overall strategies for reducing youth unemployment, but as overall strategies, i) for making the inevitable spells of joblessness more

productive for individuals and society and for assuring that young people are adequately prepared for work when it is available; ii) to minimise the stigma of failure associated with long-term unemployment, something perceived by employers and society at large as an innate handicap notwithstanding the fact that joblessness is too often due to economic forces beyond the individual's control.

Many of the policy options discussed earlier, particularly those regarding education and training strategies, can serve as alternatives to employment in the short term, while improving the readiness of young people for work in the medium or long term. But the task of minimising the personal effects that failure in the labour market leaves is more problematical. In countries where, indeed, it will take years to absorb all unemployed and underemployed youth, policy-makers might consider options that "change the rules" by redefining failure. The purpose of an alternative policy would be to provide unemployed youth with another choice. A framework encompassing alternatives beyond the labour market might apply in particular to a "new social entity": young people , say between 16 and 19 whose physical maturity has been largely reached, whose families are becoming less responsible for them, and yet who have not entered the world of work much as they may have desired to do so.

The basic proposal might be for a youth allowance to be paid to all young people not in full-time employment (to provide them with a financial base from which they can undergo further training or education or undertake a variety of personal initiatives outside the regular workforce). The existing variety of payments and benefits could be scrapped so as to give each young person, as of right, a certain subsidy from the public purse so as to advance his or her prospects in life. Such an allowance should be structured in such a way as to encourage young people to stay in school or undertake further training, and to allow sufficient flexibility so as not to result in dependence, but to encourage self-reliance, initiative and risk-taking.

A comprehensive youth policy could provide benefits to all as a right and remove from payments any stigma of "welfare" just as no such stigma attaches to medical students who have for long been highly subsidised. Part of the aim of such a programme would be to provide a "transitional" stage for all youth so that automatic movement from school to work is no longer regarded as the norm, with those who "fail" the transition regarded as deviants. If there are to be considerable numbers of youth out of work throughout the eighties this is one way to change the transition process; breaking the link between the unavailability of paid employment and the destruction of self-esteem, redistributing more equitably periods out of work or out of the workforce, and, above all, ensuring them a status of which they need not be ashamed.

An approach of this nature will not sound particularly revolutionary in many European countries where governments already take considerable responsibility for all youth up to the age of 18. The concept of a youth guarantee is already quite highly accepted as recognising that "the employment and education opportunities of young people are of such importance to the whole community that they call for special treatment. The concept of a youth guarantee is thus a reflection of the community's readiness to assure responsibility for all young people" (26). But while the youth guarantee has been formulated in these terms, it has in practice up till now tended to be a

"safety net" approach, with the guarantee becoming effective once youth are in the workforce and experiencing some difficulty. The framework proposed here would go rather beyond that.

The institutional processing of such a proposal would necessarily vary from country to country and would obviously require detailed design, reorientation of the establishment and massive government effort. The simplest approach would be to provide a modest youth scholarship for a certain period to anyone who claims one. This would allow those who want to work to do so, and those who do not want regular employment and are content to do other things on a lesser income to do so also, without requiring them to prove that they are seeking work (a largely futile rule in present circumstances).

There are a number of variants to this proposal that would better preserve work incentives (and would be cheaper). For example, all youth not in full-time employment might be paid a basic allowance at a relatively low level (perhaps substituting for the allowance to parents with dependent children in those countries where one is paid). This basic allowance with some part-time earnings would provide a basic minimum of support from which they could undertake a variety of activities based solely on individual choice -- ranging from trying to develop small co-operative businesses to developing personal artistic or sporting skills. Further means-tested living allowances could be paid to those who were engaged in full-time education or training, undertaking job search (to be discontinued after, say, twelve weeks if a reasonable offer of employment or training were refused), or undertaking some form of youth service activity.

This proposal would have a clear bias towards keeping young people out of the full-time workforce and retaining or returning them into some form of training or education. This would seem to be consistent with societal concerns though at the same time it would require a considerable effort to improve the post-compulsory education system. Furthermore it would allow a student a certain level of earned income through a graduated means test and thus not discourage part-time work.

If social integration is a serious concern of some governments, other benefits might also be provided -- including, for example, the extension to the age of 21 for all (and not just, as in many countries, for full-time students) of half-price travel on transport services and half-price entry to institutions, clubs and entertainment. These are measures which, it is argued, help the continued integration of the elderly into community life, so the same argument might be used for youth. If the other measures are to be successful, consideration would also have to be given to the extent of the need for provision of adequate housing for those youth who leave home, support facilities for those youth who are solely responsible for the raising of children, special health-education and drug programmes and the like.

The cost of a youth allowance would vary according to the level of the basic and living allowance and the stringency of the means test. It could be financed in part by substituting it for the existing range of payments and subsidies differing from country to country but aimed more or less at youth, e.g. student scholarships, subsidies to employers of youth and some other transitional and labour market schemes, unemployment and welfare benefits, allowance to parents of dependent children over 16, free or subsidised post-compulsory (or university) education. The financing of a youth scheme

would require the charging of fees in some way related to cost -- with the fee-paying scholarships available to low income students and loans available to the rest. The net increase in expenditure that a youth allowance would require over such savings from existing payments and subsidies would vary greatly from country to country and would depend on the type of scheme developed -- but the "demographic youth bulge" is now moving on and most countries are seeing a decline in the population in the 16-18 age group, so from that viewpoint at least, the present time may be a favourable opportunity.

The final cost would need to be weighed against the seriousness with which society regards the youth problem. It would certainly meet many of the concerns felt about youth. On the other hand, it would extend the period of formal adolescence (though not, it might be argued, dependence -- it would only distribute that more evenly); some might consider this undesirable. It would also be a major new programme at a time when governments are looking for ways to reduce projected growth in public expenditure. It is for governments to determine what proportion of public expenditure should be directed to youth and to weigh whether current problems are so serious as to merit the substitution of the present piecemeal measures by a framework within which society, for its own long-term good, takes comprehensive responsibility for the whole age group.

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Annex A

THE ROLE OF LABOUR DEMAND IN YOUTH EMPLOYMENT AND UNEMPLOYMENT

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I. INTRODUCTION

The purpose of this annex is to review our understanding of the processes of labour demand as they relate to the contemporary problems of high youth unemployment and unstable youth employment. The rationale for this emphasis on the demand aspects is that much of the literature and evidence relates primarily to supply-side characteristics, perhaps at some detriment to our understanding of the youth labour market and its operation. It may also be that the process of policy review and evaluation would benefit from a restatement of analysis and empirical work on labour demand as it applies to the youth labour market.

Some further clarification of this initial statement may be useful. The rationale for the demand emphasis is not that demand behaviour should be regarded as the sole or even the dominant factor in accounting for youth employment and unemployment problems. Indeed, the conventional wisdom, backed up by quite a formidable assembly of empirical evidence, is that supply-side characteristics are the main explanatory variables in accounting for differential employment and unemployment experience. In particular, it is well established that among the youth labour force, unemployment rates are not only higher than in other groups but have increased relative to those of other groups in most OECD countries in recent years. Again, within the youth labour force, differentially high unemployment is strongly correlated with educational and social disadvantage. Thus the distribution of unemployment and the incidence of unsatisfactory employment experience appears to be largely explicable in terms of individual worker characteristics and it seems to be the case that the relative disadvantage of youth in these respects has been increased as the level of unemployment in the economic system at large has risen.

The role of demand at an aggregate level is, of course, recognised as crucial to the general rise in unemployment. While there are undoubtedly frictional and structural elements present, deficiency of aggregate demand and of the demand for labour in the economy as a whole are clearly primarily responsible for the scale of the current problem. In that sense, there is no evidence of neglect of the role of labour demand. The problem that follows, however, is that reflationary measures of the conventional Keynesian kind have been rejected by governments which have been more immediately anxious to contain inflation than to moderate unemployment. In the absence of such measures, an important focus of policy has been on the alleviation of the effects of widespread unemployment on the labour force groups most adversely affected -- among them the youth labour force.

These measures, by and large, have been predominantly supply side in orientation. This is not to deny that the policy measures have increased work opportunities, which, of course, they have; but much of this increase has taken the form of temporary duration jobs either in the public or private sector, rather than representing a true increase in labour demand. Furthermore, it is a common characteristic of such programmes that they are targeted on particular groups in the labour force which have experienced greatest employment difficulty. Although they "mop up" some of the

unemployed, it is probably misleading to regard such measures as demand side in orientation since they do not have a positive impact on the underlying economic demand for labour in the economy and are generally designed either to alleviate the unemployment experience or to improve the subsequent job chances of those who are covered by the schemes. In addition to such measures, many countries have adopted programmes involving educational upgrading, vocational training and education and work experience which are again explicitly geared to easing the problems of transition from school to work and to enhance the subsequent employment prospects of the scheme beneficiaries. These are clearly supply side in orientation.

By contrast, true demand-side measures designed to act directly on the hiring policies and practices of employers, or on the process of vacancy creation, are relatively scarce. Nevertheless, examples are to be found which aim to stimulate demand by means of employment subsidies or other devices to reduce labour costs to the employer, and incentives have also been tried to encourage recruitment in certain industrial sectors, or recruitment of particular types of worker (1).

Although these measures have evidence bearing on the theme of this annex, they are not the central focus. Instead, the aim is to try to fill in some of the background analysis and relevant evidence on why youth have suffered so adversely in the growing unemployment crisis. In following through this aim, we will give particular attention to the behaviour of labour demand and its interaction with supply characteristics in the youth labour market. And, to the extent that some sectors of the youth labour force still fare quite well in employment terms, while others do particularly badly, we also have to consider how the processes of labour demand operate to create this relative employment advantage or disadvantage.

In Section II we will attempt to construct a general framework to show the significance and nature of the youth employment problem, with particular attention to the demand side. In this account, we will highlight the role of information and the associated problems of search and screening. From this rather general statement, we will turn our attention more directly in Section III to the youth employment issue, beginning with a consideration of hiring practices and recruitment, the quality of employment offered, including training and career advancement, and lay-off and dismissal policies and practices. We will also consider here youth wage policy, including the effects of collective bargaining and legislation. Finally, in Section IV, we will seek to draw out conclusions both for policy and for research needs in this whole area.

II. CONCEPTUAL FRAMEWORK

The Justification for the Youth Labour Market Concept

For the purposes of the present discussion, we will define the youth labour market as comprising young people aged 16-24, but much of the argument will relate to the 16-20 age group rather than the young adult. An immediate question is whether this sort of distinction makes economic sense and whether, in fact, there is real point in distinguishing a separate youth sector of the

total labour market. Without implying that at age 20 or 24 there is a sharp break in the labour market, in terms of jobs and labour market behaviour, we would argue that the youth labour market can be so distinguished, and may indeed be regarded as a segmented market in the sense that in both supply and demand terms there are distinct limits to competition and substitution between this sector and the adult sector. There are several dimensions on which this can be confirmed. It is well established, for example, that at least in "normal" times, youth labour engages in more job-changing, often typified as a "shopping around" activity to gain variety of work experience and to find a suitable niche. This search process frequently leads to short job duration, multiple spells of unemployment, but (again in "normal" times) relatively short-duration spells of unemployment. This may be illustrated by British data (2), though the pattern revealed is undoubtedly common to most OECD countries.

Table 1 shows that a significantly higher proportion of the under-24 age group changed jobs in a twelve-month period than any older age group; and that the average number of job changes per working person was substantially greater for the under-24 age group. Both males and females show similar characteristics.

Table 1

LABOUR TURNOVER BY AGE AND SEX: GREAT BRITAIN 1974
(Working persons aged 16 and over)

	Percentage Changed Jobs Last Twelve Months (a)						Average Number of Job Changes per Working Person		
Age	Males	Base (=100%)	Females	Base (=100%)	Total	Base (=100%)	Males	Females	Total
16-17	33	227	30	284	31	561	0.50	0.41	0.46
18-24	33	1109	29	790	31	1899	0.50	0.41	0.46
25-34	22	1840	19	1043	21	2883	0.30	0.26	0.29
35-44	12	1675	11	1129	12	2804	0.16	0.15	0.15
45-54	7	1742	10	1281	8	3023	0.09	0.11	0.10
55-64	5	1301	7	743	6	2044	0.06	0.08	0.06
65 and over	7	302	3	165	5	467	0.07	0.04	0.06
Total 1974	15	8246	15	5435	15	13681	0.21	0.20	0.21
Total 1973	14	8998	15	5749	15	14747	0.21	0.22	0.21
Total 1972	12	8865	14	5599	13	14464	0.17	0.19	0.18

a) A job change means a change of employer.

Source: General Household Survey 1974.

This high unemployment rate for young people is largely to be explained in terms of a higher inflow into unemployment, rather than because they experience longer than average spells of unemployment, as Table 2 indicates (for males).

Table 2

MONTHLY MALE UNEMPLOYMENT INFLOW RATES BY AGE IN AUTUMN 1978
(Percentages)

Age	Monthly Inflow Rates
Under 20	3.0
20-24	2.7
25-39	1.1
40-49	0.7
50-54	0.6
55-59	0.6
60-64	1.1
All ages	1.2

Source: Department of Employment Gazette, January 1983.

Undoubtedly this pattern is largely influenced by the short duration of previous jobs, since job duration is strongly correlated with age (3).

These characteristics show up in the fact that the under-24 age groups comprise a much higher share of the very-short-term unemployed (say up to four

Table 3

DISTRIBUTION OF DURATION CATEGORIES OF MALE UNEMPLOYMENT BY AGE GROUP: JANUARY 1976 (Percentages)

Duration of Unemployment in weeks	Under 20	20-24	25-29	30-39	40-49	50-59	60-64	65 & over	Total
Up to 2 weeks	19.43	19.37	14.45	17.60	11.70	9.14	8.15	0.17	100
2-4 weeks	21.11	20.12	14.97	17.86	11.74	8.64	5.41	0.15	100
4-8 weeks	16.49	20.26	15.56	18.81	12.88	9.65	6.20	0.15	100
8-13 weeks	14.99	19.91	14.97	18.28	12.77	10.61	8.29	0.17	100
13-26 weeks	16.21	18.47	13.84	16.80	12.32	11.15	11.02	0.18	100
26-39 weeks	10.83	16.79	13.38	17.74	13.60	12.55	14.90	0.21	100
39-52 weeks	7.76	14.78	12.94	18.32	15.01	14.64	16.26	0.29	100
Over 52 weeks	2.57	8.17	8.12	13.95	15.70	21.15	29.75	0.62	100
All duration categories	13.30	16.99	13.32	17.17	13.25	12.55	13.16	0.26	100

weeks) than any older age group, as Table 3 shows for males: if July figures are used, following the main school-leaving date, the differences are even more marked.

On the demand side, as we shall discuss in more detail below, legal requirements regulating shiftwork and health and safety at work effectively preclude people under certain age limits from competing for some jobs, while in other cases employers' hiring criteria may equally effectively exclude young people from access to some types of work. Again by way of illustration,

Table 4

INDUSTRIES IN WHICH YOUNG PEOPLE WERE EMPLOYED, 1971
(Percentages)

Industry	Males		Females	
	Aged 15-19	Share of Total Employment	Aged 15-19	Share of Total Employment
Agriculture, forestry and fishing	3.9	3.5	0.7	1.3
Mining and quarrying	1.9	2.5	0.2	0.2
Food, drink, tobacco	2.9	3.0	4.0	3.3
Coal and petroleum	0.1	0.3	0.1	0.1
Chemicals and allied	1.4	2.2	2.0	1.5
Metal manufacture	2.8	3.2	0.9	0.8
Mechanical engineering	7.3	6.2	2.3	2.1
Instrument engineering	0.6	0.6	0.6	0.6
Electrical engineering	3.2	3.5	3.7	3.7
Shipbuilding	1.4	1.1	0.1	0.1
Vehicles	3.3	4.5	1.1	1.2
Metal goods (a)	3.7	2.8	1.8	1.9
Textiles	2.5	2.1	4.1	3.2
Leather, leather goods	0.3	0.2	0.3	0.3
Clothing and footwear	1.3	0.8	7.1	4.0
Bricks, pottery, glass (a)	1.6	1.6	0.8	0.8
Timber, furniture	2.8	1.7	0.7	0.6
Paper, printing, publishing	2.8	2.8	3.5	2.3
Other manufacturing	1.3	1.4	1.5	1.4
Construction	12.1	10.5	1.2	1.1
Gas, electricity, water	1.4	2.0	0.7	0.7
Transport and communication	4.9	8.6	3.0	3.1
Distribution	13.1	9.7	21.8	18.0
Insurance, banking, finance	2.5	3.2	10.0	5.5
Professional, scientific services	2.9	6.9	10.2	21.4
Miscellaneous services	9.9	7.1	11.8	14.8
Public administration, defence	6.9	7.4	4.5	5.2
Industry inadequately described	1.2	0.5	1.3	1.1
Total	100.00	100.00	100.00	100.00

a) Not elsewhere specified.
Source: 1971 Census of Population, Economic Activity Part 11 (10 per cent sample).

Table 5

OCCUPATIONS OF ECONOMICALLY ACTIVE YOUNG PEOPLE, 1971

Occupation	Males		Females	
	Aged 15-19	Share of Total Employment	Aged 15-19	Share of Total Employment
Farmers, foresters, fisherman	4.2	4.0	0.8	1.1
Miners and quarrymen	0.9	1.6	0.0 (a)	0.01
Gas, coke, chemical workers	0.2	0.8	0.2	0.1
Glass and ceramic makers	0.5	0.4	0.3	0.3
Furnace forge, foundry, rolling mill workers	0.7	1.0	0.1	0.1
Electrical, electronic workers	5.7	3.3	1.1	1.0
Engineering and allied trade workers (b)	22.6	15.7	2.2	3.2
Woodworkers	3.9	2.6	0.1	0.1
Leather workers	0.6	0.4	0.9	0.6
Textile workers	1.1	0.9	2.2	1.8
Clothing workers	0.8	0.5	6.1	3.6
Food, drink, tobacco workers	2.8	1.6	1.4	1.2
Paper and printing workers	1.8	1.4	1.7	1.0
Makers of other products	2.2	1.3	1.3	1.2
Construction workers	2.1	3.5	0.01	0.02
Painters and decorators	1.8	1.8	0.1	0.1
Drivers of stationary engines, cranes, etc.	0.6	1.9	0.04	0.04
Labourers (b)	8.3	6.9	1.1	1.5
Transport, communications workers	3.3	8.0	1.7	1.7
Warehousemen, storekeepers, packers, bottlers	3.6	3.2	3.5	3.2
Clerical workers	7.6	6.8	39.9	27.2
Sales workers	6.0	7.4	12.8	11.6
Service, sport, recreation workers	3.8	5.7	96.6	22.3
Administrators and managers	0.6	5.3	0.2	0.9
Professional, technical workers and artists	4.7	10.6	6.3	11.7
Armed Forces (British and Foreign)	3.2	1.5	0.5	0.1
Inadequately described occupations	6.6	1.7	6.0	4.1
Total	100.0	100.0	100.0	100.00

a) Less than 0.01.

b) Not elsewhere classified.

Source: 1971 Census of Population, Economic Activity Part 11 (10 per cent sample).

we use British data to indicate the wide variation in extent to which different industries (Table 4) and different occupations (Table 5) offer opportunities for employing young people. At the industrial level, 35 per

cent of men under 20 were employed in distribution, construction and miscellaneous services, considerably in excess of these industries' share of male employment. Low proportions were registered in chemicals, transport and professional and scientific services. For females, 60 per cent under 20 worked in clothing and footwear, distribution, miscellaneous services, insurance, banking and finance, and professional and scientific services.

At the occupational level, there is less concentration for young men, though engineering workers are strongly represented, but for young women clerical work is predominant at 40 per cent of all under-20s, and much in excess of its share of total employment. The concentration for young women is strongly marked.

Thus it appears that on first entry to the labour market, and in the subsequent period, the range of jobs available by industry and occupation is relatively narrowly circumscribed, as compared with the range of employments opening up in maturity.

We will therefore take it as given that the concept of a differentiated youth labour market is a valid one. Within this, however, we cannot assume that the population is homogeneous. Indeed, the tables above in various ways suggest that the youth market is structured on both age and sex grounds. This characteristic is, of course, strongly reflected in the pattern of unemployment rates by sex and age, which are illustrated in Table 6.

Table 6

UNEMPLOYMENT RATES BY AGE

Age	October 1979	October 1980	October 1981	October 1982
Male				
Under 18	10.5	19.5	25.1	26.0
18-19	9.8	16.0	25.0	29.4
20-24	8.1	13.5	20.1	22.2
25-34	5.4	8.5	13.2	14.3
35-44	4.4	6.7	10.5	11.5
45-54	4.4	6.4	9.8	11.2
55-59	5.4	7.4	11.7	14.2
60 and over	11.3	14.1	20.0	20.2
All ages	6.3	9.7	14.6	16.1
Female				
Under 18	12.4	20.7	24.8	24.0
18-19	10.0	14.5	20.8	24.4
20-24	7.9	11.2	15.3	16.0
25-34	4.3	6.0	8.7	9.6
35-44	1.9	2.9	4.3	4.9
45-54	2.1	2.9	4.3	5.0
55-59	2.9	3.7	5.3	6.3
60 and over	0.3	0.5	0.6	0.5
All ages	4.3	6.4	9.0	9.9

Source: Department of Employment Gazette, January 1983.

Several points emerge from this table:

a) The unemployment rates for the under-24 age groups are substantially higher than for older age groups;

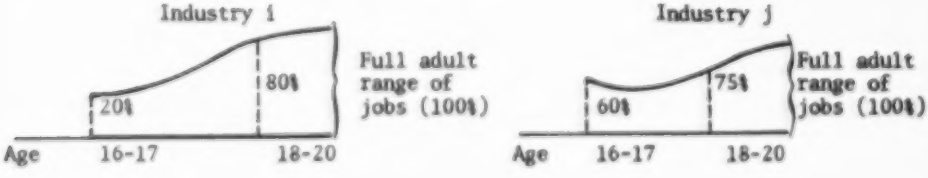
b) As the unemployment rate has increased dramatically, the pre-1980 pattern in which the youngest age group fared worst has been replaced by one in which the 18-19 year-olds have become worst off: this undoubtedly reflects the effect of the "special employment measures" introduced by government to reduce the plight of the unemployed school leaver in particular;

c) The 20-24 age group exhibits a lower unemployment rate than the younger age groups, but females in this age group show signs of reaching labour force maturity in the eyes of employers more quickly than their male counterparts.

Thus, recent policy developments and economic conditions have undoubtedly influenced the differentiation between the youth and adult markets, and the differentiation within the youth market itself. The particular form of subdivision will be influenced by institutional and legislative arrangements in different countries: for example, conscription for military service exists in some countries but not others and this will influence both availability of particular age groups and perhaps employers' attitudes to hiring within certain age brackets.

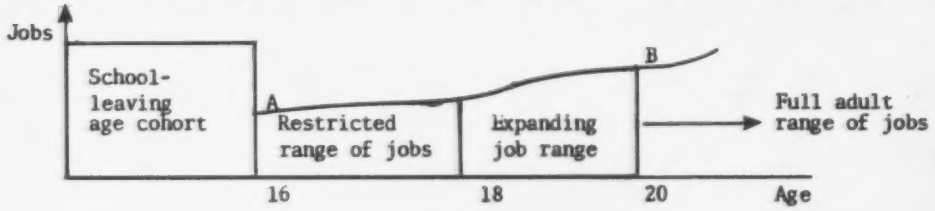
Conceptual Development

We proceed, then, on the basis that the youth labour market is an identifiable entity and, in particular, that the range of jobs available to young people is narrower than that for the adult labour force. The effect of this restriction is likely to be most severe in the immediate post-school years (16 and 17) and will begin to ease over the period 18 to 20. The precise degree of restriction and the rate of relaxation will depend partly on legal-institutional factors, but may also vary with occupational or industrial category (4). Thus, in industry i we may find that 40 per cent of jobs are open to 16 and 17 year-olds, and 80 per cent by age 20, whereas in industry j 60 per cent of jobs are open to 16 and 17 year-olds but only 75 per cent by age 20. These might be depicted as follows:



We may generalise from this to the proposition that at school-leaving age, the transition to work will be limited, gradually opening up with advancing years in terms of job choice as legal requirements are removed, additional educational or vocational qualifications can be obtained, experience of work is built up by being employed and becoming trained, etc.

We may then envisage this as a kind of "funnelling effect" which forced the school-leaving-age population into a restricted band of the job market. Hence:



As depicted here, the model implies that there are less jobs available than required by the school-leaving-age cohort. Of course, this need not be so. It is quite possible that although the range of jobs is restricted, the density of jobs in the range will exceed the cohort size and there will be a shortage of youth labour (which may or may not be resolved by hiring from other labour force sectors). Youth not entering the available job range will generally have two options: either to continue in education, which may give them access to a broader job range at the point of entry, or unemployment. Both the slope and the locus of AB in the above diagram may change according to general employment circumstances.

Under full employment, for example, such as existed in the 1950s and 1960s in most industrialised countries, employers may increasingly have been willing to open up certain ranges of work to young people, in many cases by developing trainee positions to which school or college graduates could aspire. In these circumstances,, the youth employment problem will be minor or non-existent, since demand is capable of mopping up involuntary unemployment and hiring standards will be modified accordingly. In recession or depression, the reverse process is likely to occur. Thus, hiring standards may be tightened in ways which act adversely on young people, the costs of traineeships, apprenticeships and the like may be regarded as prohibitive, and the range of job openings (as well as the volume of openings) will be restricted. This appears to be very much what has happened in the industrialised countries during the late 1970s and early 1980s.

Is There a Policy Problem?

If this general line of analysis is correct, it would predict that in a downturn, and especially in a prolonged recession where behaviour has time to adjust, the probabilities of young people obtaining employment would be disproportionately reduced, relative to other labour force groups. This has indeed been the typical pattern in the industrialised countries in the last few years. In the following section we will examine the kinds of considerations which will enter into employers' hiring decisions, and review available evidence on actual behaviour. This review will hopefully shed some light on some aspects of labour demand processes which may be amenable to policy influence, but even now it is possible to express the policy problem in broad terms compatible with the above framework. As indicated in Section I, the youth unemployment problem is, in part, a component of the total unemployment problem which governments have decided they cannot solve by conventional reflationary measures. So far as the youth labour market is

concerned, this means that there is no likelihood of a massive expansion in the volume of jobs within the labour market funnel.

At this point, the question arises as to how far there is a need for an explicit, intensive policy to combat youth unemployment. Much is made in some quarters of the prevalence of voluntary unemployment, while others are inclined to argue that even if the volume of youth unemployment is high, the actual duration of unemployment spells still remains relatively short and that the need for policy measures is thereby reduced. A variant of this latter argument is that even if young people do experience frequent spells of unemployment, this does not create any longer-term damage, since these spells simply reflect an extension of the traditional shopping around for jobs in a depressed market, and successive jobs with intervening unemployment spells are simply a series of stepping stones to improving later employment and earnings opportunities. On such views, there would seem to be no real problem for policy with regard to youth employment at all.

An earlier expression of this latter viewpoint derives from Kalachek (1980), who concludes that "for most youth, the American labour market functions rather well. One-half of the job changes among teenagers occur without an intervening spell of unemployment. Two-thirds of the entrance into employment occur without a measured spell of unemployment. Most of those who experience unemployment do so for rather brief periods ... high job turnover rates do not appear due to market defects or pathologies"(p. 89). The work of Becker and Hills (1980) for the United States is cited as showing that the numerous spells of unemployment which accompany high job turnover positively influence subsequent wages, though duration of unemployment has a negative impact. Kalachek recognises, however, that while the youth labour market generally functions well, it does much less well for a minority of youth, heavily comprised of the less well educated and Blacks.

This finding is supported by more recent American work by Becker and Hills (1980) -- though its basis is a youth panel aged 16-19 in 1967 followed through to 1975, when the group was about to enter the 25-and-over age group. Becker and Hills conclude, "While teenage unemployment among out-of-school youths is apparently a productive experience for white youth, it can have a negative effect on the future wage of Black teens ... within both racial groups, individuals with long durations of teen unemployment earned lower subsequent wages." The argument here is that for white youth, experience of job search and job switching produces later benefits in earnings terms. These benefits are reduced for Blacks, as well as for long-duration unemployed youth, perhaps because the quality of job change is lower, or because employer hiring practices penalise Black teenagers more than white.

In a more sophisticated approach, Heckman and Borjas (1980) raise the direct question: does unemployment cause future unemployment? They observe the findings of previous research that the greater the number of previous spells of unemployment and the longer its duration, the greater the likelihood that an individual will be unemployed at a moment of time. Two explanations may be advanced for this. The first derives from economic theory. Past unemployment, including the current spell, may alter preferences, prices or constraints in such a way as to influence or determine future unemployment. A loss of work experience, for example, may affect future employability, especially if firms use unemployment records as a means of ranking workers in

a heterogeneous population, as a prelude to hiring decisions. In this case, unemployment has a genuine behavioural effect.

The second possible explanation is statistical: if individuals differ in respect of certain unmeasured variables which influence the probability of experiencing unemployment but are not themselves influenced by unemployment, it is possible for these variables to be correlated over time and (unless they can be controlled for) previous unemployment may appear to be a determinant of future unemployment. Past unemployment would then act as a proxy for temporally correlated but unobservable variables.

Heckman and Borjas develop statistical methods to test these alternatives, using a sample of 1969 high school graduates (white males) who were interviewed regularly during the subsequent thirty months. They conclude that there is "no evidence that previous occurrences of unemployment or their duration affect labour market behaviour once we control for sample selection bias and heterogeneity bias" (op. cit., p. 279). However, they warn against generalisation of these results to explain life-cycle labour market phenomena. Not only is the sample small, but it is confined to white males who are just beginning their labour market experience. This qualification is necessary, for other studies have concluded that state dependence is significant (5). More generally, it is perhaps sensible to adopt a somewhat skeptical approach to empirical studies which claim to quantify precisely the relative magnitudes of state dependence and heterogeneity on spells of unemployment. Such precise quantification would imply that there are no remaining unmeasured variables and that the full effects are accurately captured in the variables employed: an unlikely eventuality.

Taking this evidence as a whole, there is some suggestion that we should not be over-concerned about the prevalence of unemployment among young people in the specific sense that this experience does not subsequently damage earnings capability. If that were so, it might be held that, in fact, the market works generally quite well and that there is no reason for exceptional policy measures to deal with the longer-term consequences of currently high levels of youth unemployment. Such a conclusion would, however, seem to be unwarranted for the following reasons:

i) Virtually all the evidence relates to the United States where longitudinal studies have been more frequent and more fully analysed. Yet there are many important differences in the operation of North American and European youth labour markets (6), and there is no certainty that similar results would hold;

ii) The American studies generally date from the early 1970s when youth unemployment was lower than it now is in the United States, and certainly much lower than in most European countries at the present time. Particularly where this heavier unemployment is associated with longer duration unemployment, even the evidence cited above would suggest that this is likely to be associated with longer-term loss of employment and earnings opportunities. Likewise, in so far as the heaviest burden of current unemployment is borne by less advantaged youth, minority groups, etc., the existing evidence would give rise to concern;

iii) Most of the research into the relationship between past unemployment and future labour market prospects is couched in terms of subsequent earnings effects. While this may be defended as a legitimate measure, it does not fully reflect other aspects of employment status, such as job tenure or stability of employment, which might be regarded as significant indicators of long-term employment prospects.

It would be unwise, therefore, to accept unquestionably the assessment that the market works effectively for young people and that the observable problems are simply reflections of individual rather than market pathologies. If the effective market hypothesis is at least questionable, if not actually rejected, it remains important that policy should seek to root out possible sources of imperfection in market mechanisms. In the next part of this annex we concentrate on the nature and sources of imperfections in the processes of labour demand in the youth labour market. We return to the policy problem in the concluding section.

III. EMPLOYER BEHAVIOUR AND THE YOUTH EMPLOYMENT PROBLEM

The aim here is to develop and substantiate arguments relating to the funnelling effect which we have attributed to the youth labour market. As a starting point, it may be useful to sketch a picture of the hiring process and its implications for youth employment.

Hiring Practices in General

Employers, in deciding to create or fill a job vacancy, will have a clear idea of the job that is to be done and the main qualities, skills and attributes required by those likely to perform the job satisfactorily. The employer may decide to set a rate of pay (and employment conditions) for the job and hire the worker(s) coming closest to meeting the job requirements, subject only to the condition that there may be some minimum standard which, if not reached by any applicant, will lead to renewed search or cancellation of the vacancy. Alternatively, the employer may specify the job standards required and be prepared to adjust the pay and conditions so as to secure the necessary labour.

Whichever approach is adopted, the employer is faced with the problem of assessing likely performance on the job. Only after a worker has been hired -- and sometimes only long after -- will the employer know whether his expectations on performance have been fulfilled. Employers will therefore be anxious to reduce the risk of bad employment decisions as far as possible, particularly where the costs of bad decisions are potentially high (e.g. key administrative or supervisors posts in the organisation, or posts requiring substantial investment by the firm in training). The desire to minimise risk will involve the employer in an investment in the acquisition and interpretation of information relating to the likely performance of the candidates for the job. Depending on the type of job, selection criteria may include some mix of educational or vocational qualifications, job experience and personal attributes. If we assume an excess of job applicants over

vacancies (which will be generally true in depressed labour market conditions), the employer will wish to have a cheap means of screening applicants to narrow the range of choice and hence economise on the final selection stage, which may involve interview, trade or aptitude tests, medical examinations, checking on references, etc. The particular screening devices adopted will vary across employers and occupational categories, but equally importantly, the level at which screens are applied may vary according to the ease or difficulty of recruitment in the particular market. Thus, for example, in a slack labour market, even though the educational qualifications may be of little direct relevance to job performance, educational attainment acts as a cheap screen, easily applied on the basis of standard job application forms. Other means of screening on a similarly cheap basis would include age, possibly sex or race (despite anti-discrimination or equal opportunity legislation), whether currently employed or unemployed, and so on. The use of such devices conforms with the concept of statistical discrimination, which leads to the exclusion of individuals possessing "undesirable" attributes even though they may be competent to perform the work in practice.

Hiring Practices and Youth Employment

We can now consider the implications of this for youth employment. In the first place, there will clearly exist a range of jobs where experience of similar types of work is at a premium, and where youth will be virtually automatically screened out (or discouraged from even applying by the terms of the advertised or notified job specification). Second, as Warner (1980) has argued, if we wish to explain a) what determines the variation in the probability δ of a given job seeker getting a job offer from firms with vacancies (given the general state of the labour market) and b) how the variation in this probability δ changes with the general state of the labour market, we might predict respectively that

a) "Firms will place more weight on an applicant's previous experience and personal attributes when they are required to make substantial training investments in the new employee or where quit and failure costs are high," and

b) "As the unemployment rate rises relative to the job-vacancy rate in the relevant labour market ... δ will fall for all groups, but it will decline relatively more for groups possessing less desirable attributes." (Warner, 1980, pp. 217-18.)

It is fairly evident that young people, with typically higher than average turnover rates will be subject to relative disadvantage under (a): although it may well be in an employer's interest to invest in training younger rather than older workers, the employer will be anxious to cut risks, which may mean upgrading educational requirements (as a proxy for trainability) or raising the age level at which recruits will be taken on. Again, under (b) the probability of an offer being extended to young people will decline as for all groups, but lack of work experience, lower levels of training and age itself may all act to depress relatively the prospects of youth. This, in turn, is likely to have a direct impact on the probability of young workers changing status from unemployed to employed: and, additionally, within the youth labour force, those sub-sets with the least desirable

attributes will tend to suffer the greatest relative disadvantage.

A small illustration of the effects of rising unemployment on relative employment probabilities is shown in Table 7, using data drawn from a current study at Glasgow University, and relating to a specific local labour market area, Motherwell District.

Table 7

PROPORTIONS OF SPECIFIC AGE-SEX GROUPS LEAVING THE UNEMPLOYMENT REGISTER AFTER SHORT-DURATION (0-13 WEEKS) UNEMPLOYMENT

Age	Males			Females		
	1978/79	1981	Change	1978/79	1981	Change
16-17	.6941	.5912	-.1029	.7314	.6082	-.1232
18-19	.5266	.2769	-.2497	.4966	.3195	.1771
20-24	.5770	.3889	-.1881	.5226	.4073	-.1153
25-34	.5359	.3497	-.1862	.4700	.4144	-.0556
35-44	.5300	.3640	-.1660	.4542	.3759	-.0783
45-54	.4613	.3487	-.1126	.3867	.3015	-.0852
55+	.2558	.1755	-.0803	.4157*	.1778*	-.2379*
Total	.5570	.3823	-.1747	.5448	.4251	-.1197

* Unreliable due to small numbers in cell.

Source: Department of Employment data. Thanks are due to Dr. K. Thompson for providing these data from the Motherwell local labour market information study financed by the Gatsby Charitable Foundation.

The table shows, for separate age-sex groups, the rate at which short-term unemployed (under thirteen weeks) left the unemployment register, for 1978/79 when unemployment was relatively low at about 11 per cent and for 1981 when unemployment had risen sharply to over 20 per cent. On the evidence for 1978/79, apart from the 18-19 age group, there was a steady decrease in probability of leaving the unemployment register as age increased, for all males and for females up to age 54. With the rise in unemployment generally, all age groups experienced a decrease in employment probability, but (again with the exception of older women), the biggest decrease was for the 18-19 age group. It is significant that the 16-17 age group appears to have been much better protected in terms of employment chances, but this is to be explained mainly by the provisions of the Youth Opportunities Programme (YOP) and similar measures which focused primarily on the 16-17 age group. The severe drop in relative probability for the 18-19 year-olds may well reflect the effects of a measure of employment protection in the immediate school-leaving phase, followed by sharply increased employment difficulty for those who have not found stable employment after YOP. This reversal effect, differentiating the 16-17 and 18-19 year-old groups, must be a matter of concern for policy and will be the subject of later discussion.

This illustration, of course, relates only to the short-term unemployed moving into employment. The probabilities of employment for longer-term unemployed at all ages will be lower still, and job seekers with unemployed status of a long-standing duration may well find that this is also used to screen them out. This appears to be confirmed in a study of the youth labour market in three English towns in 1978/79 (before the recent rapid rise in unemployment). Ashton et al. (1982) report that "even in Sunderland (the highest unemployment area) employers would take into account the length of time spent unemployed when making their decision. Although the 'acceptable' period of unemployment would almost certainly be longer than in [the low unemployment areas], it was still true that the long-term unemployed were regarded as a bad risk, and preference would be given to other applicants" (p. 60). If this conclusion holds generally, it clearly poses a particular problem for public employment offices which have to balance the relative priorities of keeping employers satisfied with the service provided and of finding job openings for the longer-term or hard-to-place unemployed.

Restrictions on the Youth Labour Market

So far, we have been considering only hiring preferences on the part of employers, underlying which is the specific standard of performance (and productivity) expected by the employer. However, even before that standard is translated into desirable worker attributes, there may be factors which preclude consideration of young people. This is an area in which comparatively little research seems to have been undertaken, yet in the context of the general framework set out in Section II, it is of critical importance to youth employment prospects and the formulation of policy. Ashton et al. (1982) report that the jobs to which young people were denied access formed a substantial part of the labour market, though the fraction of closed jobs varied across areas with different industrial and occupational structures. This closure effect existed both in manufacturing and service sectors, and included significant numbers of unskilled and semi-skilled jobs. The scale of this is striking:

> "We estimated that about 50 per cent of the jobs in those manufacturing firms where the early interviews had taken place were closed to young people ... Overall, more than half (51 per cent) of those interviewed had (semi-skilled or unskilled) jobs for which they would not recruit young people." (p. 37)

The reasons for closure, however, varied. In some cases (about 20 per cent), legal or shiftwork considerations were significant, affecting both female school leavers by reason of the Factory Acts and by shiftwork restrictions, and male school leavers where shiftwork is the main excluding factor. The Health and Safety at Work Act also prevents young people from working in dangerous work situations and on some types of machinery. Legislation also bans young people from jobs where a driving licence is required or where alcohol is sold. In other cases, the demanding physical requirements of jobs were considered unsuitable for young school leavers. Elsewhere, again, employers were disinclined to employ youngsters in dead-end jobs without prospects, while others were worried about lack of responsibility among young people or, more generally, about their lack of experience and the cost of providing training when "ready-made" labour (e.g. married women already trained and returning to work) was available.

Apart from these semi-skilled and unskilled jobs, of course, age barriers to youth employment exist elsewhere in the occupational structure. Age limits apply in nursing; professional traineeships are increasingly requiring higher educational qualifications including university degrees at entry, and so on. Jolly, Creigh and Mingay (1980), in another British study, corroborate these findings. Examination of a sample of job vacancies notified to the employment service indicated that over one-third had some age limit (though, in practice, this was not always applied, and upper age limits were at least as common as lower age limits). In a sub-sample of 403 vacancies subject to age qualifications, only 27.6 per cent were available to 16-19 year-olds, and 29.6 per cent to 20-24 year-olds. Also, while 17 per cent of cases were limited to those who had recently left secondary education, the remaining 83 per cent effectively ruled out school leavers (43 per cent being restricted to people in the middle of their working lives).

These particular examples refer to the British scene, but it is certain that similar problems of closure, perhaps at slightly different ages or with differences in occupational or industrial incidence, exist in all other industrialised countries. Thus there can be no doubt that the true youth labour market, as defined by labour demand, is considerably narrower than the labour market as a whole although its exact configuration will vary from country to country. Furthermore, it seems likely that in recession, there will be incentives to employers to restrict youth opportunities further, either because of the extra training or supervisory costs entailed, or simply because experience is more readily available from the ranks of the adult unemployed or the currently employed under risk of redundancy.

The converse of this closure is, however, that there are certain jobs or career openings which are geared directly to the youth labour supply, and in which adult competition is absent or very restricted. Here again, the range will vary across countries and industries. Where a strict apprenticeship system exists, it may be essential to enter training at 16 or 17. Even where some flexible systems of training are present, there may still be strong pressures to recruit from the 16-19 age group (7).

Two main problems can be identified in this market segment. First, employers operating on low or negative profit margins will be increasingly reluctant in recession to incur training costs, especially where, as in apprenticeship, the training period is prolonged and the point at which the trainee reaches a productivity level equal to the wage is late in coming. It has long been recognised that the intakes into apprenticeship places vary pro-cyclically, but the recent severe recession has caused a dramatic fall in available apprenticeship places in countries such as the United Kingdom. Second, especially in non-manual occupations, educational requirements are being upgraded, often as a result of increased "professionalism" (which is a secular, non-cyclical phenomenon more connected with enhancing occupational status or standards) but equally, as suggested earlier, as a means of simplifying the recruitment selection process in an excess supply market. This means that the more intellectually able still have a reasonable chance of competing for training opportunities but the less able are excluded by screening, whatever their potential in the job may be. An alternative to the screening hypothesis is the self-selection approach which is relevant to training positions generally, but is often discussed with particular reference to apprenticeship (8).

The rationale for self-selection derives once again from the problems faced by employers making hiring decisions under imperfect information. Testing to determine the suitability (productivity) of a recruit may be expensive, but the employer's cost may be reduced if applicants are willing to pay a fee for the test. Under these circumstances, individuals who consider they have a low chance of passing the test will rule themselves out, and the hiring will tend to take place from the restricted pool comprising those who rate their chances high enough to incur the test charge and who actually pass the test. The test fee, of course, may take the form of a reduced rate of payment while the test (e.g. successful completion of a training or apprenticeship programme) is going on. For successful candidates, the cost will be compensated by a subsequent upward wage adjustment.

There are, therefore, a number of ways in which, even within the specifically youth sector of the labour market, employer policies can be adapted either to restrict opportunities or to distribute job or training opportunities in a manner which narrows the selection process. The general tendency in these devices will be to favour the more advantaged youth (in economic, social and educational terms) and to eliminate the less advantaged from effective competition. Note, for example, that under self-selection, the cost imposed on applicants will tend to work to the disadvantage of poorer individuals in the youth market. To the extent that these effects are of practical significance, they will have the consequence that the less advantaged will be "crowded out" of the best employment opportunities in the protected youth market and "crowded in" to competition with other groups in the general market -- where they will have a low chance of success unless overall demand is buoyant and labour is generally scarce.

Analysis of this sort would seem to be compatible with observations of recent history in the youth labour markets of most industrialised countries, such as the relatively worse unemployment record of Black and other minority group youth in the United States. At the same time, there is a marked absence of sound empirical research on the relative importance of the various hypothetical factors, which makes it difficult to design policies specifically geared to modify such behaviour to produce better distributional consequences. We might also note here that the process of educational upgrading at points of entry will tend to have the effect of delaying the opening of the job-opportunities funnel, since the higher educational requirements will often mean longer schooling or post-school education (which again may serve as screening or self-selection devices) as well as higher standards of achievement.

Quality of Employment

We have observed that one of the problems facing employers about to make a hiring decision is the uncertainty about the worker's performance (say, in terms of productivity) after hiring. Conceptually, this reflects the incomplete nature of the labour contract between worker and employer, in which the precise duties and expected productive efficiency of the employee are seldom fully spelled out (9). In all cases, the hiring decision will carry an element of risk for the employer, and the risk is likely to be enhanced in the case of young, relatively inexperienced labour without a proven "track record". Apart from the obvious solution, which is to avoid hiring from the riskiest groups (as risk is perceived by the employer) there are alternative

possibilities which in one way or another may be encapsulated by variations in the quality of employment. This is what we now consider.

A first alternative is the use of a probationary period of employment during which the worker has to earn "tenure" by showing his ability to match up to the employer's standard levels of performance. The initial employment opportunity, therefore, is qualified by uncertainty about the conversion from probationary to regular status, and the employer can hedge his perceived bets.

There appears to be little evidence on the prevalence of this practice, although Audibert (1981) in his study of a French local labour market found that over 80 per cent of employers used a trial period for unskilled and skilled workers, and also for unqualified office staff. Ashton et al. (1982) found that in the three labour market areas studied, 53 per cent of employers used a probationary period, but the percentage varied considerably across the areas. While the employment protection legislation of the 1970s in European countries may have safeguarded the rights of longer-term, established employees, the extra labour costs implicit in that greater commitment seem likely to have made employers more sensitive to the risks involved (10) and this may actually have increased the use of short-term contracts, just as it may have encouraged sub-contracting to other firms and the use of trial or probationary periods within the legislated protection limits. None of these developments is likely to benefit the prospects of young workers.

A second option is to restrict entry to a limited number of low level positions in the employing organisation. Promotion to higher positions and the provision of relevant firm-specific training can then be applied selectively to those who perform well in the entry jobs, so that the firm is able to exercise control over the relation between pay and production performance of increasingly expensive employees of the organisation: costs will rise both because of increased seniority and because of the build-up of training costs. This, of course, is simply one way of describing the operation of an internal labour market, in which the organisation itself becomes the labour market and training and deployment decisions are taken administratively, and with a degree of insulation from external labour markets.

From the point of view of young workers able to get entry to an internal labour market, there are obvious advantages in terms of quality of employment. Internal labour markets are characterised by career or promotion ladders, the development of skills through training and variety of job experience, and in all probability a good standard of pay and employment conditions. The employer is able to benefit by a reduction in labour turnover (partly a reflection of the firm-specific training which will have little value on the external market) and the opportunity to assess on-the-job performance as a guide to efficient training and promotion procedures.

For youth in general, the existence of internal labour markets may seem disadvantageous, since they limit opportunities of entry to the lowest rungs of the occupational hierarchies. Vacancies which arise above the entry level will be advertised and filled internally by promotion, effectively excluding individuals in the external youth market from applying. Furthermore, competition at the points of entry may often be much wider than the youth labour force who may find themselves in competition with adults. Much here depends on the configuration of the internal labour market, as Ashton et al. (1982) have shown (11), and this may reflect technological factors. In the

study cited, examples were found of changes in internal labour market policy, in response to changing technology, the effect of which was "that large numbers of jobs previously filled by young people were lost" (op. cit., p. 22). Again, this is an aspect of youth employment that is comparatively under-researched, and given the widespread presence of internal labour markets, further work would seem to be warranted, both on the scope for youth to enter internal labour markets and on changes in opportunity.

Third, employers may reduce their risk factor by maintaining the existence of a quota of dead-end jobs. While many employers have made explicit efforts to remove such jobs carrying no prospect of advancement and doing little or nothing to improve the human capital of those who occupy them, there is no doubt that a great many jobs of this description still remain and that a high proportion of these are occupied by young people. For employers, the advantage of a dead-end job is that it is generally low-paid (though some exceptions exist), and has little cost other than wages attaching to it. It may well be subject to high turnover, but hiring and training costs will be very low.

As Kalachek has pointed out (OECD, 1980), available data do not permit us to determine whether such dead-end jobs have been increasing or declining in recent years: nor do we know much about the link between the existence of such jobs in the youth labour market and the tendency for a hard core of youth unemployed to get trapped into this very limiting segment of the labour market (op. cit., pp. 73-74). In terms of our earlier analysis, the main concern about the presence of dead-end jobs in the youth labour market is not that they provide low wages and no advancement in the firm, but rather that the work experience they afford will not be valued by other employers, simply because they do nothing to raise the human capital level of those who fill them. To the extent that employment spells in such jobs tend to be short, the young worker who flits from one such job to another may well be labelled as unstable and be ruled out of serious consideration for more secure work with advancement opportunities. Once more, we must conclude that the role of dead-end jobs in the youth labour market is far from being fully understood and deserves more research effort.

Youth Wage Policies

Considerable controversy has surrounded the contribution of minimum wages to youth unemployment, but the body of empirical work that has now been built up, at least on legal minimum wages, is fairly clear-cut in its conclusion. This aspect of the problem has been extensively treated in a number of recent reports.

Two sorts of wage minimum can be identified: a minimum wage rate imposed by law, and a minimum determined by collective bargaining. In both cases, the minimum, designed as a protection for low-paid workers or as a contribution to greater equality of income distribution, will be set above the rate which would prevail if market forces were left to determine price. This, in turn, will curtail demand, and cause some disemployment or at least the closing down of some new job openings. Thus unemployment will tend to rise, though this may be offset by some reduction in effective labour supply as a result of discouragement effects. The real questions, therefore, are about the size of the disemployment effect, the consequential change in

unemployment, and the incidence of this unemployment on different labour force sectors. Because many young people are principally competing for jobs in the low pay, low productivity area of the labour market, it is usually accepted that an increase in the minimum wage relative to the average rate will have a disproportionate adverse effect on youth unemployment. Specifically, then, can it be maintained that a major contribution to the present youth unemployment problem is an increasing level of minimum wages operating in such a way as to curtail the demand for labour?

Most of the controversy, and hence most of the empirical and analytical work, has related to the role of legal minimum wages. In the United States, a Minimum Wage Study Commission reported in 1981, and in Canada, West and McKee prepared a study for the Economic Council of Canada and the Institute for Research on Public Policy in 1980. Parallel to the U.S. study, which was felt in some quarters to be potentially biased in favour of minimum wages, the conservative American Enterprise Institute (AEI) initiated its own major study (Rottenburg, 1981). In general, the major findings may be reported as follows:

1. Although increases in the level and coverage of the minimum wage have given rise to disemployment effects, particularly in the youth labour market, these effects tend to be small, typically around 1 per cent job loss for a 10 per cent increase in the minimum wage;

2. There is some small but positive minimum wage effect on youth unemployment, but this is probably offset -- the evidence is not altogether consistent here -- by a reduction in youth labour force participation, so that the net impact on unemployment tends to be under one percentage point;

3. A differentiated minimum wage for youth would produce some increase in youth jobs, but probably at the expense of adult low-wage workers. However, the AEI study recognised important administrative difficulties, while experience in Denmark has underlined the sorts of problems that may arise if the structure of differentiated minima is not carefully adjusted (12);

4. There is no evidence to substantiate that the legal minimum wage is a major element in the present high level of youth unemployment (13);

5. At least in the United States case, the empirical evidence and its econometric analysis appear to be fairly unbiased by political outlook. Eccles and Freeman (1982) compared the AEI and Minimum Wage Study Commission findings and concluded that "if one did not know which study had been funded by which group, one could not guess from the results. (op. cit., p. 227)"

Against this apparent consensus, new evidence is reported by Linneman (1982), using a radically different method of estimation from the Becker method commonly adopted. This U.S. study uses the wage structure prior to a change in federal minimum wages to identify membership of the sub-minimum wage population, which is found to comprise disproportionately large numbers of Blacks, non-veterans, residents of the South, the physically or mentally restricted, non-union members, those with low education levels, residents of small cities and relatively old adults. (The wage structure used is for adults, and so the findings do not directly bear on the youth dimension.)

Linneman finds that this sub-minimum population experienced both significantly reduced employment probabilities and annual hours worked (conditional on employment). The burden of the minimum wage falls most severely on females, with race surprisingly neutral, while the main beneficiaries are trade union members (again with race neutral). However, doubts have been expressed on the validity of the conclusions drawn with regard to the effect of the minimum wage (cf. Brown, Gilroy, Kohen, 1982).

To this evidence, we are now able to add the results of a comprehensive and critical survey of minimum wages and employment (Brown, Gilroy, Kohen, 1982), which pays particular attention to the effects on teenage employment. For teenagers, the authors conclude:

> "Time-series studies typically find that a 10 per cent increase in the minimum wage reduces teenage employment by 1 to 3 per cent ... We believe that the lower half of this range is to be preferred ... Cross-section studies ... produce ... estimates of the minimum wage effect of a 10 per cent increase on teenage unemployment rates ranging from zero to over 3 per cent, but estimates from 0 to .75 percentage points are most plausible." (op. cit., p. 524)

For young adults (20-24) the effect of the minimum wage on employment is negative and smaller than for teenagers, though the evidence here is more sparse.

Thus, a decade of work involving a great many studies would appear to have culminated in a strong consensus, not that the effects of minimum wages on youth employment and unemployment are non-existent, but that the adverse effects are relatively small, and it seems certain that minimum wages cannot be blamed for a major part of the rise in youth unemployment in recent years.

When we turn to the effects of collectively-bargained wage minima, the economic analysis is essentially similar to that for legal wage minima, but the volume of evidence on disemployment effects is much slighter. It has certainly been argued that trade unions engaging in collective bargaining have been concerned by rising general levels of unemployment, and have been anxious to protect adult trade union members from "cheap labour" competition from the youth sector of the labour market. Trade union membership tends to be much higher among adults than among young workers, so that the internal politics of trade union bargaining strategy will favour the interests of adults. At the same time, trade unions in Western countries, perhaps particularly in Western Europe, have been active in the inflationary 1970s in promoting the interests of low-paid workers, and the pay rates of young workers have probably benefited from this. Thus, there have been a number of pressures which have pushed towards an upward adjustment of low paid and youth wage rates relative to average adult rates. This may have been further enhanced by equal pay legislation which has tended to improve female pay generally and youth female pay in particular.

Where these sorts of adjustment have occurred, employers may be expected to move up their labour demand curves, resulting in some disemployment: or alternatively, to substitute adult for youth employees where the wage cost differential has changed (14). In both cases, youth employment prospects will be damaged.

When, however, we come to ask whether the evidence bears this out, the answer is not easy to come by. Certainly, it does seem to be the case that, in Western Europe, youth rates have risen relative to adult rates. Lynch and Richardson (1982) report that in Britain, in the early 1970s, the employment costs of young men were less than 50 per cent of those of adult men, whereas by the late 1970s, they were nearly 60 per cent. Econometric results from this study indicate a significant impact on both male and female youth unemployment as a result of increased employment costs. North America, however, has not experienced the same increase in relative youth wage costs. The scale and phasing of the baby boom there may well have been an important influence, but the lower levels of trade union density and less formality in industrial training arrangements may also be contributory factors. In Europe, there is insufficient empirical work to provide reliable conclusions, and it can only be said that there is no clear evidence of a significant negative effect on youth employment. Nor does it seem likely that the rise in relative wages has been a major influence in the growth of the youth unemployment rate. Until there is more work on this, however, final judgement must be reserved about the impact of youth minima on employer demand, on the extent to which the minima are actually effective, and on the effect on the employment rate. The existence of a similar effect between the legal and collectively bargained minimum wages would also be worthy of examination.

Legislative Influences on Labour Costs and Labour Demand

The final topic to be taken up is the influence of a series of legislative changes which particularly affected Western European countries during the 1970s. The specific form and content of these measures varies across countries according to differences in legal tradition, institutional structures and the nature of collective bargaining and its coverage. Their main thrust is towards increased job security for employees, affording them collective and individual rights to protection or compensation for redundancy and unfair dismissal. In general, a comprehensive legalistic basis has been substituted for an uneven and partial protection secured by collective bargaining.

From the employer's point of view, the advent of these legal provisions has undoubtedly had effects on personnel policy. The inevitable consequence of such legislation is to increase employer commitment to the employed labour force coming under the jurisdiction, that is after a specified period of service with the firm. This commitment will raise the sensitivity of employers to the longer-term consequences of misguided hiring decisions. Employer costs will tend to be increased either because greater search and selection efforts have to be made to reduce risks in hiring, or because faulty decisions will lead to lower than expected productivity and dismissal or redundancy will generate claims for compensation.

In addition to the extra costs of hiring and selection, or firing, non-wage labour costs have tended to escalate also as a result of increased social security and similar payments by employers on a payroll basis. This development raises the fixed costs of employment. Following Oi's (1962) analysis, we would expect that the greater the degree of fixity, the more elasticity of employment with respect to changes in production will be reduced. Greater reliance may, for example, be placed by employers on changes in hours than number of employees, for a given decline in product demand.

The effects of increased non-wage labour costs, from both these directions, will include two sorts of offsetting consequences for unemployment. First, there will be a reduced inflow from employment to unemployment because of constraints on dismissal and the costs to the firm of redundancies. Second, because of increased hiring costs, unemployed job-seekers will obtain fewer offers per vacancy applied for, and unemployment duration will increase. The relative importance of these effects in the United Kingdom was investigated by Nickell (1979) who used econometric methods to estimate that for the period 1970-75, the reduction in job-offer probabilities resulted in an increase of 22-24 per cent in unemployment, offset by a reduced inflow effect of about 3.5 per cent. The median estimate of the increase in equilibrium unemployment from 1970 to 1975 for these reasons above is of the order of 20 per cent. However, this result is not borne out in a further study of equilibrium unemployment by Nickell (1982), which concludes that employment protection contributed to a slowdown in hiring but that this was more than set by the reduction in the rate of entering unemployment instigated by the same legislation. The reasons for this instability may well lie in the rather unsatisfactory data available for estimation, and further refinement is obviously required.

Using different methodologies, other studies based on surveys have found that although unfair dismissal provisions are important to employers, the legislation generally has not had an inhibiting effect on hiring of new labour. (See, for example, Daniel and Stilgoe, 1978; and Clifton and Tatton-Brown, 1979). Ashton et al. similarly found considerable awareness of the effects of unfair dismissal; out of 350 firms in three labour market areas, 40 per cent of employers claimed that their policies on recruitment and retention of labour had been affected by government legislation in the previous two years (1977-79).

While these results appear conflicting, they need not necessarily be so. Nickell's argument (1979) (which cannot yet be discarded) is that a given level of vacancies will result in fewer job offers because of the cost penalities of a hiring error. The lower probability of a job seeker getting an offer will depend on this restricted number of offers, as well as on the number of vacancies, which could be unaffected by the legislation: on the survey evidence, the number of vacancies may only be marginally reduced, though this again needs further confirmation.

These results do not deal specifically with young workers and youth unemployment. However, two inferences can be drawn. First, where employers are more conscious of the risks of hiring, they may be expected to reduce risks, if possible by hiring more experienced workers: this might well tie in with the earlier evidence on age restrictions on job vacancies. Second, to the extent that total vacancies are in fact diminished, there will evidently be less opportunities for young people coming on to the labour market for the first time. First-time job seekers are entirely dependent on vacancies, whereas adult workers already in employment may simply have to accept reduced mobility chances to improve their job situation.

These problems have been discussed with reference to the British labour market, but the trends in fixed labour costs seem to have affected all advanced economies (including the United States and Japan) (15) while the employment protection legislation has been applied in most West European countries. Thus research reported by Frey for Italy (1981) and Audibert for

France (1981) bears out the cautious response of employers to hiring decision in the new context. The use of fixed-term contracts of employment, probation and sub-contracting of production are common approaches to the evasion of the increased costs of dismissal. Once again, however, the evidence, though fairly consistent in its directions, is fairly patchy and incomplete, especially with reference to youth employment prospects. The conclusion which emerges so far, however, must be that these developments in labour costs and job security provisions cannot have helped the prospects for youth employment, and seem more likely to have damaged them.

So long as the labour market is fragmented and structured in such a way that employers can identify groups and sub-groups of potential employees with different and distinguishing characteristics, they will, predictably, use such information, acquired by screening, self-selection and signalling indicators, to reduce the risks inherent in the hiring decision. What we have been arguing here is, in effect, that whatever the effect of increased non-wage labour costs and job protection measures on the volume of vacancy flow, these forms of government intervention will have heightened the awareness of risk on the part of employers. Then, to the extent that youth, in general, and sub-groups of the youth population, embody what employers regard as high-risk characteristics, or additional costs (due, for example, to training and supervisory costs) they will be less preferred.

While this is, of course, in no way a new agrument, the dimensions of relative disadvantage to youth in employers' hiring decisions have at least been sketched-in throughout this section, and the importance of the demand dimension can perhaps be better appreciated.

IV. TOWARDS A POLICY FRAMEWORK

This final section returns to policy questions with special reference to demand-side aspects. It should perhaps be stressed again at this point that this annex is not seeking to suggest that demand-side measures should be favoured at the expense of supply-side policies. Rather, as should be clear by now, it is argued that unless we have a proper understanding of how employer demand behaves with respect to information about labour supply, there is a risk that possible policy options will be missed or that the orientation or emphasis given to certain measures will be incorrect. Supply-side measures will inevitably have a part to play, perhaps even a dominant one, but they need to be integrated with and adjusted to demand-side behaviour, which may itself be modified by policy.

What then can be said about the policy problem? First, there is clearly a great deal of logic in the sorts of approach which have been undertaken in a number of countries with regard to the supply side. Other things equal, efforts to improve supply-side characteristics of young members of the labour force will make them more attractive to employers who are able to exercise a wider-than-normal choice in the currently depressed general labour market. As we argued earlier, it is possible to see most of the job creation measures in this light, since what these programmes achieve is precisely an element of experience of work which employers will commonly look for in new recruits. However, it should also be evident from the foregoing

discussion that short-term, artificially-created jobs which do little to impart knowledge of job skills and which contain no significant training element, will be of limited use in providing the degree of experience which employers will seek. In this respect, some of the more recent measures, designed to introduce a training requirement into job-creation schemes have much to recommend them. Whether they go far enough in all cases is still questionable, however. What would seem to be needed is a labour-market-entry stage, ideally perhaps as long as two years in duration, in which sufficient experience is built up to enable participants to compete successfully with experienced workers, and into which is integrated a developing programme of skill (even limited skill) training. If this requires resources considerably in excess of those currently applied, its justification would lie in the potential long-term damage of a generation of youth missing out on the basic foundation stage of a satisfactory life-time employment cycle. Second, complementary action would seem to be necessary with regard to the demand side of the market, which is our particular focus here. It is not the purpose of this Annex to recommend specific policy measures or solutions, and the final part is devoted mainly to spelling out some of the broad issues in developing an approach to the demand side of the policy problem. In effect, this may be regarded as a framework within which policy analysis may be developed.

Policy Objectives

The evidence reviewed earlier indicates that youth tends to be at a relative disadvantage in competing for jobs in the labour market -- apart from those areas which are "protected" so far as youth is concerned. This competitive disadvantage is due in part to "closure" of sections of the market against young people, sometimes due to institutional or legal factors which influence employer behaviour, and sometimes due to the way in which age, acting as a sign of experience, is used to discriminate in the selection and recruitment process. Underlying this latter heading, there is a complex relationship embodying the link between employment costs and expected productivity on the job.

The extent of youth's disadvantage will be tempered by the general state of labour demand. The indications are that youth unemployment is more sensitive to cyclical variations than is adult unemployment. (See, for example, Lynch and Richardson, 1982.) In particular, in the downswing of the cycle, youth unemployment tends to rise faster than adult unemployment, and at some stage in the upswing supply inelasticities in other sections of the market may lead to a more rapid recovery of youth unemployment. In the present situation, then, if it were possible to expand aggregate demand substantially, a fairly natural recovery of youth unemployment might be anticipated. That, however, seems to be an unavailable option in terms of immediate policy; and there is also a degree of uncertainty whether the present unemployment problem is the result of a "normal" (but particularly severe) recession or whether we are witnessing the symptoms of a long-term reduction in the number of jobs the modern economy can support. If, in this situation, youth unemployment is to be regarded as a problem requiring priority treatment in policy -- as we have argued above -- alternatives need to be found.

Two broad options seem to be available, though these are not mutually exclusive. First, policy may seek to expand the share of jobs available to

the youth labour force as a whole. This will involve, in some way, an enhanced ability of young people to compete with adults for the available stock of jobs, and focuses attention on the barriers to that competition -- which have been the subject of the central sections of this report. Second, it may be recognised that, within the youth population, some young people are less capable of competing effectively for jobs, and policy may seek to change the distribution of job vacancies within the youth sector in such a way as to improve the prospects of the more disadvantaged in the youth population. In the first case, there is a changed distribution of employment between adult and youth labour: in the second, a redistribution from the more to the less advantaged in the youth sector. One consequence of the second (redistributive) policy, however, may be that the more advantaged youth, who would previously have been preferred for openings in the youth market, will now find it necessary to compete elsewhere; and because of their better characteristics, they may find it possible to gain employment in competition with adults, where the disadvantaged would not. Thus, there may be some indirect gain to total youth employment in this case, too, as well as a changed distribution.

Expanding the Share of Youth Employment in Total Employment

One general line of approach, in terms of our earlier analysis, would be to expand the "funnel" through which many young people go before becoming eligible to compete for a wide range of jobs. Two separate aspects of this can be identified. First, it may be worth considering whether all the current legal constraints on the employment of young people are still completely necessary. In some cases, it seems that even though exemptions are obtainable, there is reluctance on the part of employers to seek exemption. There will certainly be many areas where it remains quite proper that the health and safety of young people at work should be safeguarded, but there may be others where technical change, improved safety procedures, etc. might enable some of the presently closed doors to be opened to young people.

Second, and more importantly perhaps, it may be worth considering whether incentives could be provided to employers to eradicate dead-end jobs (for which they may be reluctant to recruit young people), and to integrate these jobs into a system which affords greater prospects of job or career development. Technological change has already eliminated many dead-end jobs with a repetitive boring routine. Quality of working-life innovations have also made some progress in restructuring jobs to provide greater variety of activity and develop greater understanding of the work context. But employers themselves could, in many cases, open up part of the job structure by a reorganisation of tasks and a change in recruitment policy. Jobs in the lower rungs of the hierarchy need not be of the dead-end variety, and if recruitment is adapted to favour able young people who can progress from the bottom rung through the hierarchy, both the firm and the job range available to young people may benefit. In some cases, this might involve the conversion of part-time to full-time jobs: in others, low-quality jobs would be improved and the necessary complementary training instituted. Such changes would, of course, have repercussions on other sectors of the labour force, particularly on the employment of married women, who are often used in dead-end jobs, and on part-time work. The costs of such displacement cannot be ignored, but in the last resort a deliberate expansion in the share of youth employment must incur some costs arising out of a redistribution of employment opportunities.

Developments of the kind just suggested would, of course, increase tendencies towards the internalisation of labour markets which, as we observed earlier, might be detrimental to youth employment prospects. While this will be so where the ports of entry to the internal labour market are largely confined to adults, this would not be the case where the purpose of internalisation is to open up the job spectrum to young workers. The issue is essentially one of extending the ports of entry to embrace younger workers. This might be achieved, in part, simply by persuasion and propaganda, but it may be possible to devise incentives for schemes which could encourage this sort of development.

Apart from the enlargement of the "funnel", other possibilities relating to the demand side would include some form of adjustment to the labour costs of young people relative to other groups. At least three different dimensions of this can be distinguished from our earlier analysis:

a) Wage costs;

b) Employers' non-wage costs exclusive of hiring and training costs;

c) Employers' hiring and training costs.

On the assumption of a relatively high elasticity of substitution between different types of labour, any reduction in the ratio of youth-to-adult costs under (a), (b) or (c) would be expected to increase youth employment (at the expense of other groups). Thus, wage or training subsidies to youth labour, or adjustment of payroll taxes or minimum wages might all contribute to a redistribution of employment opportunities in favour of youth.

If policy is to move in this direction, however, the evidence of earlier sections should still give pause for consideration so far as labour costs are concerned. Although, first, there is clearly a measure of substitutability between youth and other groups in the labour force, there is ample evidence of employers adopting hiring practices which differentiate or segment the labour market. This must reduce the elasticity of substitution on which the subsidy arguments depend. The problem is to know how far this segmentation is susceptible to being broken down by relative price adjustments. From a policy point of view, it would also be important to get a better understanding of the effects of changes in the different component parts of employment costs: changes in fixed cost (or quasi-fixed) elements may have a different effect on employer behaviour from changes in variable cost components. But the degree of fixity will be dependent on the structure of social security and related costs in any individual country. It is also arguable that, particularly if the strict "wage equal to marginal revenue product" relation is absent, as it would be in many internal labour markets, for example, employers will not be particularly sensitive to changes in relative labour prices; and that their hiring and selection policies are rooted much more in behavioural tendencies reflecting factors such as technology, organisational policy and organisational structure. It is worth mentioning, however, in this connection, that Lynch and Richardson (1982) in a recent study for Britain estimate that a 1 per cent rise in the relative costs of employing young males will raise the share of youth unemployment by over 1 per cent, while for young females, a 1 per cent rise in relative employment costs will raise the share by well over 2 per cent. (This greater elasticity for females accords with our expectation that the substitutability between

adults and young females would be higher than that between adults and young males.) If this evidence is robust, and the elasticities hold firm over a wide range of unemployment, the case for supporting policies acting on relative employment costs is clearly a strong one.

Second, the evidence on minimum wages, which now seems relatively consistent, does not suggest that the disemployment effects have been substantial. Conversely, therefore, it must be debatable whether relative reductions in legal minimum wages would be effective in augmenting total youth labour demand in any appreciable measure, though it would almost certainly make some contribution. In addition, arguments may reasonably be advanced about the distorting effects of subsidies on market processes, and about the social justice aspects of discriminating in favour of a particular group.

These comments are certainly not intended to dismiss all wage and non-wage subsidies out of hand. They should, however, serve to alert us to the incomplete nature of the evidence on the sensitivity of youth employment to changes in relative employment costs and their component parts, and to remind us that youth employment gains will have to be weighted against the costs of reduced employment opportunity for other population groups. There may well be a stronger case for subsidies where these can be deployed in ways that ensure they operate directly on the margins of substitutability, improving the efficiency of their operation, rather than by spreading the effects thinly over market segments in which relative cost sensitivity is slight.

Changing the Distribution of Employment within the Youth Labour Market

The earlier review of labour demand processes indicates a considerable amount of discrimination in hiring, to some extent against youth in general, but more particularly, against youth with readily identifiable personal or work-related characteristics. In the present high-unemployment context particularly, the absence of realistic job experience and job-related training makes the exercise of that discrimination fairly easy, and the evidence of this is discernible in the unemployment rate differentials of different age, sex and racial sub-groups within the youth labour force. Thus, bearing in mind the patterns of labour demand behaviour, we must give a relatively high priority to the incorporation of worthwhile training provisions into the youth employment experience, whether that derives from normal market employment, or from employment created by public intervention.

The policy problem here, however, is difficult. It relates to the question of targeting and the use of selective policies within the youth labour market. In high and prolonged unemployment, even many of the more able young people will not find satisfactory means of entering stable employment providing means of self-development. Special youth employment promotion programmes will generally have to engage in some selection process, and the problem is to decide whether the preponderance of resources should go to provide help for those who are close to the margin of being employable or to assist those who are highly unlikely to obtain employment chances. From an efficiency point of view, the former may be the most rational: from an equity point of view, a concentration of resources on the least advantaged may be the preferred approach. It is probably not unfair to characterise most youth employment programmes as falling into the former ("efficient") category

-- either by design or by the way in which employers recruit under such programmes apply normal preference orderings which will tend to favour the relatively better-quality young persons. But there is a risk in following this course exclusively that existing segmentation within the youth labour market will be exacerbated, and that present tendencies towards dualism or a "core-periphery" differentiation will be strengthened. Thus, there may well be a case on equity grounds for ensuring that a sufficient flow of resources is directed explicitly at the least advantaged to enable them to compete more effectively, in due course, with their more advantaged counterparts who will in any event be more able to compete with adults when the effects of the "closure" phenomenon wear off.

This aspect also raises practical problems in terms of ensuring that the targeting of policies can be given effect, since it is often easier to define target populations for specific programmes than it is to deliver the programmes to the right recipients; and the implementation process is likely, therefore, to be more resource-intensive.

On a slightly different dimension, there may also be a case for acknowledging directly that youth employment experience diverges quite widely on a geographical basis. Such variation will always exist, of course, but widespread and prolonged recession will tend to affect some industries particularly harshly, and geographical concentrations of industry are commonplace, with the result that unemployment is also concentrated. Similarly, the "inner city" dimensions of the problem may also be relevant, since the inner city areas will contain a disproportionate ratio of disadvantaged youth, alongside chronic deficiencies in stable employment opportunity. Again, many industries undergoing long-term structural change and decline also tend to be geographically concentrated. In all these cases, the problems of youth unemployment and of effecting a reasonably efficient transition into the labour market will be exaggerated. This reinforces the argument about the need for selective policies, which may need to include geographical as well as (say) educational or racial selectivity criteria.

Policy Design and Implementation

Finally, a few brief comments may be offered on the issue of policy design and implementation. The essential policy problem, as we have reviewed the matter here, is to effect an improvement in the volume of job openings available to young persons. A number of "variables" have been identified which may be the subject of policy adjustment in such a way as to achieve this. These include:

i) Amendment of legislation and regulations regarding the employment of young persons in particular types of employment;

ii) Amendment of legislation relating to minimum wages (particularly for young workers);

iii) Manipulation of payroll taxes, social security costs, and the use of subsidies to provide incentives to employers to adapt the structure of labour demand in favour of young workers;

iv) Development of schemes which will encourage (again perhaps involving the use of subsidies) employers to restructure jobs in such a way that more, and better quality jobs are available to young persons;

v) Development of schemes which will enable resources to be targeted effectively to selected youth population groups (which may be defined according to age, sex, race, educational achievement, geographical location, etc.).

Underlying these various approaches is the basic distinction between measures which are designed to regulate directly the provision or allocation of jobs, and those which are designed to provide incentives (or penalties) to employers to modify their normal recruitment and training behaviour. While there is plentiful scope for the "incentives" type of approach, it has to be recognised that it will ultimately depend for its success on the willingness of employers to respond, and on the design and value of incentives such that they relate directly to important considerations in the employers' hiring decisions. In a relatively pure market, free from institutional influences, this might not be a great problem, but in the labour market institutional influences are powerful, and work organisation arrangements in many cases afford a degree of insulation from market pressures. This makes the problem of designing effective incentives that much more difficult, and it is more important, therefore, that an adequate research basis relating to employer behaviour in recruitment and selection is established as a basis for policy. Hopefully, this report will have drawn together some of the available evidence in such a way that the opportunities and limitations of demand-related policy are evident. But it is also clear from this report that there are many areas where our understanding of labour demand is still limited and demand-side research is much less developed than the supply side.

It is not surprising, perhaps, that the burden of policy development has related to the supply side, probably with the implicit judgement that the key determinant of a recovery in youth employment will be a recovery in general employment.

This brings us to the final point. One of the main quandaries for the policy-maker in this area at present is to know whether policy should be seeking to deal with a transitional difficulty or a major social transformation. Throughout the 1970s, youth labour market policy was unashamedly designed to cope with what was believed to be a temporary downturn in world economic activity, coupled with a youth labour market bulge. Measures devised for this purpose have had to be developed and extended over time, and new machineries have been evolved to administer them. In important respects, therefore, the long-term institutional apparatus regulating the transition from school to work has been changed in many of the industrialised economies, although that apparatus was not primarily designed for the long term. If, indeed, the true contemporary problem is one of transformation rather than coping with temporary or transitional issues, the primary need may be to recognise that fact and to take steps to produce a properly articulated relationship between school, post-school education and vocational training, and the employment sector.

The scale of that problem is, of course, well outside the present terms of reference, but it has one very direct implication for the present purpose.

Employers have, in the last decade or so, adjusted to lower levels of employment and to various forms of ad hoc state intervention in the labour market, many of which have had a bearing on the youth labour market. The adaptive behaviour observed, however, might be different from that which would have developed had the length and scale of the transformation been apparent at the outset. Thus, a clearer appreciation of the long-term nature of the process, and a more explicit statement of the strategy of policy to cope with the long-term problem may be a prerequisite for employers (and in many instances trade unions) to begin on some of the processes of rationalising corporate employment, recruitment and training policies which have been discussed above.

NOTES AND REFERENCES

1. For a fairly comprehensive listing of measures of different types, across a range of countries, see OECD, Youth Unemployment: the Causes and Consequences, Paris, 1980, pp. 104-134.

2. The years selected are from the mid-1970s, to convey the situation in what might be regarded as more "normal" periods than the period since 1979.

3. See, for example, Jon Stern, "Who Becomes Unemployed?", Department of Employment Gazette, January 1983.

4. The concepts developed here are based on ideas suggested by the study by Ashton et al. (1982).

5. See, for example, A. McGregor (1978).

6. See, for example, the useful discussion by Kalachek in OECD (1980), pp. 92-93.

7. Thus, for example, Mrs. Shirley Williams, in her report on Youth Employment Policies in Denmark, Germany and the United States, observes that the traditional apprenticeship scheme in most European countries is "rather rigidly tied to beginning at 16 or 17" and argues for more flexibility in starting age. Again, the review team, examining youth employment policies in the United States, without a tradition of apprenticeship, found that some leading firms were "unwilling to hire people under 21 and that they expected young people to gain work experience, and to develop good working habits before they could be recruited". Youth without Work. Three Countries Approach the Problem, OECD, Paris, 1981.

8. See, for example, Guash and Weiss (1981) and the references cited there.

9. See, for example, Williamson, Wachter and Harris (1975), and Malcolmson (1981).

10. Again, Audibert (1981) and Ashton et al. (1982) observe such tendencies in France and England respectively.

11. See especially Chapter 3.

12. See, for example, Youth without Work. Three Countries Approach the Problem, OECD, Paris, 1981.

13. This conclusion is reaffirmed by recent work by Betsey and Dunson (1981) which finds that for the period 1954-79 in the United States, cyclical factors were more important than increases in the minimum wage for determining employment changes for non-white teenagers. However, during the 1970s, the disemployment effects of increases in the level and coverage of the minimum wage appear to have been greater for non-white than for white teenagers. Swidinsky (1980) in a Canadian study observed a larger impact of higher minimum wages and more extensive coverage on young female than on young male unemployment, suggesting that female participation was less responsive to unemployment than in the case of males who were perhaps more conscious of the opportunity costs of job search.

14. With reference to the earlier self-selection thesis, it is worth noting that if collective bargaining succeeds in raising the level of apprenticeship wages -- again the cheap labour argument -- this will tend to weaken self-selection, with the consequence that employers will adopt other screening methods, cut back on hiring apprentices or seek some method of substitution to satisfy their demand for skilled labour.

15. See, for example, OECD (1982), The Challenge of Unemployment: A Report to Labour Ministers, Table 17, p. 63, and the related discussion.

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Annex B

CONCLUSIONS OF THE MANPOWER AND SOCIAL AFFAIRS COMMITTEE ON MEDIUM-TERM YOUTH POLICIES NOTED BY THE OECD COUNCIL

The Committee has noted before the sharp and dramatic deterioration in the employment situation of young people in OECD countries. Bearing in mind the Secretariat's most recent analysis of the youth unemployment problem and possible solutions to it, the Committee is of the view that there must be a fresh recognition that:

-- Youth unemployment is a political and economic fact of life for at least the next few years; and under even the most optimistic growth scenarios, it is not expected to fall before the end of the decade to levels at which it no longer constitutes a problem;

-- Though appropriate selective interventions can reduce unemployment for some young people, a fundamental shift in policies recognising the reality of large scale youth unemployment over the medium term may be needed in some countries. This shift in policy emphasis should try to make the unavoidable periods of joblessness more useful by assuring that i) measures are in place to relieve the immediate hardship of unemployment, ii) the incidence of unemployment does not fall predominantly on disadvantaged youth, girls or young women and ii) that appropriate education and vocational training possibilities are available that will equip them to take new jobs as they emerge in the process of economic growth and structural change, and that these provisions facilitate the transition from education or training to work;

-- In the long run, government interventions together with healthy economic conditions will be necessary but not in themselves sufficient to assure that young people benefit from overall employment growth; the active involvement of the employers and trade unions is needed as well. More than in the past, employers and trade unions need to adopt policies deliberately designed to favour employment growth which will benefit young people. This is particularly the case for young adults for whom education and training alone cannot be the complete answer.

The Committee recognises healthy macro-economic conditions that reduce general unemployment as the most important single tool for reducing youth unemployment. The Committee, therefore, is of the view that highest priority should be given to policies which re-establish the conditions for non-inflationary growth and employment generation generally.

The Committee is concerned, however, that the recovery of economic activity now under way in some OECD countries may give way to the attitude that youth unemployment is a lesser priority than it has been in the past. Today's youth unemployment results from more than a cyclical downturn that promises to disappear with an economic recovery. It is a product of:

i) Demographic pressures that increase competition for jobs among young people;

ii) Structural changes in OECD countries that change and increase skills they need for employment; and

iii) The presence of disadvantaged young people lacking educational and occupational skill competencies and the most basic job readiness skills.

An improvement in general economic conditions will certainly reduce youth unemployment. But as long as these other conditions persist, youth unemployment will still pose a serious problem.

The Committee finds, therefore, that there is a need now, more than ever before, for specific employment and training policies for young people Such policies need to be long-term, preventive policies with suitably broad institutional bases. It is important that youth unemployment be dealt with in the context of more general strategies for education and training. Education and training arrangements should be geared to providing young people with the preparation they need for work. This should be accomplished with the full participation of existing mainstream education and vocational training bodies, and not only with temporary or supplemental programmes.

At the same time that government interventions can contribute to a better match between the qualifications of young people and the skill requirements of the 1980s, employers and unions need to take steps to assure that young people find their way into jobs. For both employers and unions this may require greater flexibility in setting job entry requirements coupled with more enterprise-based training; reviewing and updating skill requirements and overhauling apprenticeship arrangements in light of emerging technologies; greater flexibility with regard to the organisation of work, job assignments, and hours of work to relax rigidities that may interfere with the employment of lesser skilled and less experienced young persons.

Moreover, some countries face the prospect of a "moving target", an at-risk generation of persons born in the late 1950s through the mid-1960s, which, by nature of its size in conjunction with reduced employment opportunities, might not be fully absorbed into the labour market until well into adulthood. Therefore there is a need for assuring that "youth" employment strategies indeed are consistent with adult employment policies as well, and do not create structural barriers or interruption of services for young adults as soon as they reach an age when youth policies no longer apply to them. In such an environment it will be necessary, for instance, to shift the emphasis from education and training responses to labour market interventions in favour of this cohort.

Policies for assuring improved labour market prospects for young people through the rest of the 1980s should take account of the following five conclusions about medium-term trends.

Relatively rapid shifts in the composition of employment and skill requirements are likely due to the effects of international trade, technological change, and changing consumer tastes.

If jobs and skill requirements are changing, consequent revisions to the content of education and training are required to prepare young people for new jobs; this is particularly true for the 16-19 year-olds. In the last few years as youth unemployment has risen, young people have reduced their labour force participation and increased their enrolment in education and training. Government authorities must be sure that these non-labour force activities are

not simply "holding tanks", but are in fact geared to preparing young people for the labour markets of the 1980s. There is widespread agreement now that institutions of post-compulsory education and training should emphasize preparation for working life. But this preparation should not be confined to providing simply the skills and competencies needed for a first job. It should provide broad-based work-related education likely to be relevant over many years of a person's working life and likely to enhance a worker's occupational flexibility in the face of structural changes.

There is likely to be a great deal of adjustment of skill requirements at levels other than the entry level (which evidence on displacement of adult workers by technological change would support). Therefore measures to improve education and training opportunities should also include steps to permit alternation among work, education and training for adults as well as youth.

The future development of wages for young people relative to adult wages could increasingly affect their employment prospects.

Because young people have less experience than adults they are likely to be less productive for a period of time; this usually is at least partially reflected in actual wage differentials. Empirical evidence shows, however, that youth wages in some countries have actually increased more rapidly than adult wages, thus contributing to the narrowing of pay differentials. Since there is no reason to assume that productivity differentials have narrowed as well, it is possible that the employment chances of young workers have been reduced disproportionately relative to other groups. While the empirical evidence on this latter point is still ambiguous there can be no doubt that under conditions of moderate economic growth and strong labour supply pressures from other groups, the future development of the costs of hiring young people relative to other groups will have an important influence on their relative position on the labour market. Against this background, the careful consideration of and experimentation with the introduction of youth differentials, particularly in countries where differentials are small or do not exist because of minimum wage provisions in legislation and collective agreements, might be worthwhile.

In terms of future policies, the Committee stresses that lower wage costs for young people should not be tied to age, per se, but to their presumed lower productivity, and to measures for increasing productivity. Countries where demographic conditions contribute to a "moving target", of persons who can expect to experience labour market difficulties well into adulthood, should be particularly careful about not introducing measures that target relative wage changes strictly by age. Such measures would only further disadvantage today's young adults as they grow older and face competition from lower-wage youth. In those countries, differentials might be based on additional labour force status criteria (instead of age) to better reflect productivity measures.

Under conditions of slow or moderate medium-term economic growth some groups of young people will continue to be disadvantaged -- possibly well into adulthood -- before they are firmly established in the labour market.

Especially disadvantaged young people -- early school leavers, minority and disabled youth, among others -- may require special and continuing

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interventions, possibly extending well into adulthood before they become well established in the labour market. These are the young people who were most visible when youth unemployment became a widespread problem among OECD countries in the mid-1970s. They may continue to require help with educational competences as well as more intensive skill training. Since many of these young people have failed in, or been failed by, traditional educational approaches, they should also be assured access to schemes featuring enterprise-based and "hands-on" training. Minority and migrant youths may also need the extra protection of government measures, to shelter them against discrimination. Finally, it is likely that, extra help notwithstanding, some especially disadvantaged young people may never be able to compete. Governments should consider creating sheltered settings in public job creation measures or, where possible, in firms and enterprises, to assist these young people in finding employment. Finally, countries should try to ensure that such young people are not overlooked under more broadly targeted schemes.

Girls and young women are likely to encounter continual and particular difficulties in achieving equal access to employment opportunities.

Girls and young women need to increase their participation in education and training activities that prepare them for jobs in better paying, traditionally male occupations. This may require discouraging discriminatory enrolment practices, particularly in apprenticeships, but may also require further steps to eliminate various forms of sex-role stereotyping in education curricula and vocational and educational counselling.

Employers may need to be encouraged to hire, train and promote more girls and young women for non-traditional occupations, and trade unions may need to be encouraged to promote greater female membership and leadership, and to ensure that their policies do not stand in the way of girls and young women entering traditionally male jobs. This "encouragement" may take the form of legislation and regulations to prohibit discrimination, more vigorous enforcement of existing instruments, or affirmative action policies to offset the effects of past discriminatory practices.

Public expenditure constraints are likely to persist.

In drawing these conclusions, the Committee is aware that the most significant reduction in youth unemployment will come from vigorous growth and healthy macro-economic conditions and that youth policies that do not contribute to those conditions are not conducive to improving prospects for youth. The Committee therefore has paid particular attention to suggesting structural youth policies which would not impinge on, but rather enhance, the macro-economic performance of the economy. Nevertheless, most of the proposals outlined are far from being no-cost options. To accommodate these in part or in whole may require controversial reordering of expenditure priorities. But in the view of the Committee it should be borne in mind that expenditures for youth have the character of investment expenditures: investing in today's young men and women will not only ease immediate social strains but will generate economic rewards from higher quality capital and thus a better performance of the economy in the future.

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